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ABSTRACT

Papers presented at the 25th meeting of the Industrial Relations Research Association (IRAA) covered issues that are central to industrial relations in North America. Papers and discussions dealt with these major issues: (1) Prices and Income Policy: Comparative Aspects, (2) Dispute Settlement in the Public Sector, (3) Manpower Policies in Canada and the United States in the 1970's, (4) Measuring the Quality of Life--Social Indicators, (5) Adapting Jobs to Human Needs, (6) Productivity and Collective Bargaining, (7) Social Security--Issues and Trends, (8) Dual Labor Markets, (9) The Report of the National Commission on State Workmen's Compensation Laws, (10) Research on Federal Compliance Efforts Regarding Employment Discrimination, (11) Professionals in Collective Bargaining, and (12) The Work Ethic and Welfare Reform. This publication contains texts of the papers and summaries of the discussions along with IRRA annual reports for 1972 and an index to IRRA publications. (SB)

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INDUSTRIAL RELATIONS RESEARCH ASSOCIATION SERIES

Proceedings of the Twenty-Fifth Anniversary Meeting

DECEMBER 28-29, 1972
TORONTO

INDEX OF IRRA
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Proceedings of the Twenty-Fifth Anniversary Meeting

DECEMBER 28-29, 1972
TORONTO

EDITED BY GERALD G. SOMERS

PROCEEDINGS OF THE TWENTY-FIFTH ANNUAL WINTER MEETING.

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The Executive Board of the IRRA
Dedicates this Volume to

DAVID B. JOHNSON

Secretary-Treasurer from 1962 to 1973

In Appreciation for His
Devoted Service and Enduring Contributions
to the Industrial Relations Research Association
and with Best Wishes
for His Continued Success as
Dean of International Studies
at The University of Wisconsin

PREFACE

The Association's Twenty-Fifth Anniversary Meeting in Toronto was its first annual winter meeting to be held outside of the United States. The sessions covered issues that are central to industrial relations in North America, and participants in many of the sessions were appropriately drawn from Canada and the U.S.

The comparative international emphasis was especially notable in the sessions devoted to Prices and Incomes Policy, Dispute Settlement in the Public Sector, Manpower Policies, Productivity and Collective Bargaining, and Professionals in Collective Bargaining.

President Benjamin Aaron also struck a comparative international note in his luncheon address on Recent British and American Experience with Emergency Disputes.

The discussions on Social Security, Workmen's Compensation, and Employment Discrimination stressed the latest developments in areas of long-standing public concern. New and emerging research emphases were covered in the sessions on Social Indicators, Adapting Jobs to Human Needs, Dual Labor Markets, and The Work Ethic and Welfare Reform.

As in previous meetings, younger members of the Association were given an opportunity to participate in a session of contributed papers, selected for presentation on a competitive basis.

We are grateful to Benjamin Aaron for his imaginative program arrangements, to Graeme McKetchnie and his Toronto Committee for excellent local arrangements, and to the authors of these papers for their participation and cooperation in submitting them in a form suitable for publication. As in the past I am indebted to Betty Gulesserian for her invaluable aid at all stages of these *Proceedings.*

GERALD G. SOMERS
Editor

Madison, Wisconsin
March 1973

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PRESIDENTIAL ADDRESS

Emergency Disputes: Recent British and American Experience

BENJAMIN AARON*
University of California, Los Angeles

Although something comparable to what in the United States are commonly known as "emergency disputes" is to be found in other industrialized countries, the problem is treated so variously that comparisons are difficult to make. This would certainly have been true for such comparisons between Britain and the United States prior to 1971; but the enactment in that year of the British Industrial Relations Act (IRA), which, among other things, borrowed significantly from the emergency-disputes procedures of the Labor Management Relations (Taft-Hartley) Act, 1947 (LMRA), bore promise of making the exercise somewhat more rewarding. The possibility of useful comparison might have been further enhanced by the respective application of the two emergency procedures to recent dock strikes in each country. It is true that some elements of these strikes were quite dissimilar; on the other hand, they had other components that were more nearly the same. Significantly, however, although Taft-Hartley emergency procedures were invoked in the West Coast longshore strike, IRA emergency procedures were not used in the British dock strike. Instead, the matter was the subject of private litigation under the IRA. In any event, the history of what occurred in each case tells us something about the usefulness of the two statutes in achieving the legislative purpose in these particular disputes. I propose, therefore, first to give you a very brief description of the relevant provisions under the IRA; then to trace the course of the two strikes in question, with particular emphasis upon the impact of the respective statutes on the outcome in each case; and, finally, to draw some tentative conclusions about the appropriate role of the law in such situations.

---

* I gratefully acknowledge the assistance of William Emer, UCLA School of Law, 1972, and Jeff Gould, Harvard Law School, 1973, in the preparation of this paper.

Emergency Procedures under the IRA[1]

Like the LMRA, the IRA provides for the possibility of a temporary injunction (referred to in Britain as an "emergency order") issued by the National Industrial Relations Court (NIRC) against strikes or lockouts. However, the injunction can remain in force for only 60 days. The process is initiated by the Secretary of State when it is his opinion that a strike or an "irregular industrial action"[2] by workers, or a lockout, "in contemplation or furtherance of an industrial dispute," has occurred or is likely to occur; that "it would be conducive to a settlement . . . if the industrial action were discontinued or deferred"; and that the industrial action has caused or is likely to cause "an interruption in the supply of goods or . . . services . . . likely to be gravely injurious to the national economy, to imperil national security or to create a serious risk of public disorder, or to endanger the lives of a substantial number of persons, or expose . . . [them] to serious risk of disease or personal injury."

The IRA also permits, but does not require, the Secretary to apply to the NIRC for a compulsory ballot of workers involved in the actual or threatened strike or irregular industrial action if he is in doubt about the true wishes of such workers. In applying for this order the Secretary must show grounds for believing either that one of the conditions previously mentioned exists or that the effects of the industrial action are or are likely to be "seriously injurious to the livelihood of a substantial number of workers employed in that industry."

Secondary Pressures under the IRA

The IRA creates a number of "unfair industrial practices." Among these is the improper use of secondary pressures in connection with a labor dispute. Section 96 (1) makes it an unfair industrial practice for any person, "in contemplation or furtherance of an industrial dispute," knowingly to induce or threaten to induce another person to break a contract with a third party, unless the person so inducing or threatening is (a) a registered trade union or an employers' association, or (b) "does so within the scope of his authority on behalf of a trade union or an employers' association." Section 101 of the Act provides that in such situations the NIRC, if it finds the complaint well-founded, and "if it considers that it would be just and equitable to do so," may grant the complainant declaratory relief, damages, or a prohibitory injunction. Violations of the Court's orders are punishable, in the case of a union, by sequestration of its assets, those of its officers, or imprisonment.

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[1] IRA, Pt. VIII, Secs. 138–45. A good summary is contained in K.W.Wedderburn, "Industrial Action, the State and the Public Interest," in *Industrial Action: A Comparative Legal Survey*, Benjamin Aaron and K. W. Wedderburn, eds., (London; Longman, 1972), pp. 359–64.

[2] "Irregular industrial action short of a strike" is defined in the IRA, Sec. 33 (4), as "any concerted course of conduct (other than a strike) which, in contemplation or furtherance of an industrial dispute, (a) is carried on by a group of workers with the intention of preventing, reducing or otherwise interfering with the production of goods or . . . services, and (b) in the case of some or all of them, is carried on in breach of their [individual] contracts of employment. . . ."

Although the British dock strike seemed to meet the statutory criteria for issuance of an emergency order, none was sought by the Government. Instead, several employers involved in the dispute brought private suits before the NIRC. In the most important of these, *Heaton's Transport, Ltd. v. Transport and General Workers Union,*[3] the complainant charged the union with a violation of Section 96 (1) of the Act.

A Tale of Two Strikes

THE WEST COAST LONGSHORE STRIKE

Collective bargaining in West Coast longshoring has for some time been conducted on a multi-employer basis. The longshoremen are represented by the International Longshoremen's and Warehousemen's Union (ILWU), and the waterfront employers by the Pacific Maritime Association (PMA), a coastwide organization of stevedoring and steamship companies. The agreements negotiated by the ILWU and the PMA apply to the entire Pacific Coast.

The long and often turbulent history of labor-management relations in this industry can best be explained as an attempt to balance the union's desire for job security for its members against the employers' desire to achieve greater efficiency and profits through unrestricted freedom to change work methods and to introduce new technology. The focus of most disputes has been the work rules enforced by the ILWU. In its efforts to maximize the number of hours of paid employment for longshoremen the ILWU managed to establish rules at various ports requiring performance of unnecessary work, excessive manning, and operation of equipment at substantially less than its capacity. In 1960, however, relations between the ILWU and the PMA entered into a significant new phase, when the two parties agreed to a partial "buy-out" of the union's work rules. PMA undertook to pay $5 million a year for 5½ years into a jointly administered fund to provide both a guaranteed annual wage for Class A (i.e., fully registered) members of the union and lump sum payments for voluntarily retiring longshoremen. In exchange, the union gave up some of its restrictive work practices.

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[3] Heaton's Transport, Ltd. v. Transport and General Workers Union, [1972] 2 All E. R. 1214; *rev'd by Court of Appeal,* [1972] 2 All E. R. 1237; *rev'd by House of Lords,* [1972] 3 All E. R. 101.

The $27.5 million paid by the employers into the fund between January 1960 and June 1966 turned out to be an immensely profitable investment, the estimated savings from reduced man-hours, decreased labor costs per ton, and tonnage increases amounting to about $100 million. Moreover, the new mechanization program made possible by the abolition or relaxation of union rules produced a further estimated savings of $50 million as the result of faster turnaround times of ships.

In 1966, after protracted bargaining, ILWU and PMA concluded a second five-year agreement. In return for a substantial hourly wage increase and higher pensions and lump-sum retirement payments, the employers received a five-year no-strike clause; greater flexibility in the use of men, especially skilled men; actual reduction of gang sizes; and the possibility of reducing the size of even the basic, four-man gang in the hold by use of mechanical devices.

Prior to 1971, there had been no official strike on the West Coast waterfront since 1948. But negotiations over the terms of a new contract, which had commenced in November 1970, had not been going well, and in June 1971 a wildcat strike, which PMA charged had been inspired by the ILWU, closed the San Francisco port for one week. The principal unresolved issues were the length of the new agreement, a guaranteed work week, wage rates, and pensions. In June 1971 the ILWU membership voted by more than 95 percent to strike for their demands. The strike began on July 1; it involved 15,000 dock workers and tied up 24 ports in California, Oregon, and Washington. Military cargo and passenger service were exempted, as was dockwork in Hawaii, which remained covered by the old agreement. The economic impact was immediate and widespread, with lost wages and lost business opportunities running into millions of dollars a day. Many small and medium-size businesses in the West and Midwest were forced to close for lack of inventories.

On August 11, Labor Secretary Hodgson, in response to requests for federal intervention in the strike from the governors of the three West Coast states and from members of Congress, stated that the President would not intervene because the strike had not created a national emergency. The Secretary also observed that the Taft-Hartley 80-day cooling-off period had been "singularly unsuccessful" in past longshore disputes.

Negotiations between PMA and ILWU resumed on August 25. The most critical issue now appeared to be the use of containers, specifically the loading and unloading of "mixed loads"—work claimed by both the ILWU and the Teamsters Union. Proposals to have this jurisdictional dispute settled by a decision of a neutral outside party were publicly aired and privately discussed, but no agreeement was reached.

On September 14, the Government announced that the pace of the waterfront negotiations had become unacceptably slow. J. Curtis Counts, Director of the Federal Mediation and Conciliation Service (FMCS), went to San Francisco; the next day he announced that he had been told by the President that the latter would be "forced to act" unless the strike were quickly settled. On September 25, President Nixon himself met briefly in Portland, Oregon, with the chief negotiators of both sides. The negotiators agreed to try again for a settlement, but failed in that effort.

On October 4, the President initiated Taft-Hartley emergency procedures by appointing a board of inquiry. By the night of the second day thereafter, the Government had secured an 80-day injunction, on the ground that the 98-day-old strike threatened the national health and safety. In its haste, however, the Government forgot to name as a codefendent the International Association of Machinists (IAM), which was also on strike. Consequently, several more days were lost before workers operating machinery used in unloading cargo returned to work.

Resumption of work on the docks was slow and sporadic. A dispute at the Los Angeles-Long Beach port over job assignments led to a decision by the local arbitrator that management could call for "steady men" by name on jobs requiring special skills; the "steady men" then refused to respond to calls, and the resultant work stoppage prevented the loading of even military cargo. Threatened with citations for contempt, about 2,000 longshoremen returned to work at the port on October 19. But on October 20, key skilled longshoremen began resigning their jobs, thereby creating the prospect of a new tie-up. Meanwhile, PMA announced tentative agreement with the ILWU on a number of issues, including the central problem of loading and unloading containers. Rather than concede the longshoremen's exclusive right to this work, PMA agreed to pay them a royalty for any such work performed by other workmen. Perhaps for that reason, a contempt action against the longshoremen was dismissed with a warning that no further port slowdowns would be tolerated. Early in November, however, both PMA and ILWU were adjudged guilty of civil contempt of an interim federal court order against further work stoppages and slowdowns; but the court imposed no immediate fines after receiving assurances from both sides that all such activity would end promptly.

On December 17, the result of the ballot on PMA's last offer was announced. To the surprise of no one, the longshoremen had voted 10,072 to 746 to reject it. Meanwhile, several new significant events had occurred. On October 1 the East Coast longshoremen, represented by the International Longshoremen's Association (ILA), had struck, and on October 28 they threatened to picket West Coast docks. At this point merger talks between the ILWU and the ILA were renewed. Also, in December, President Nixon had called on Congress to enact administration proposals for dealing with national emergency strikes in the transportation industries (including longshoring).

Contract talks between PMA and ILWU were recessed on January 4, 1972, but work on the docks continued. On January 17, however, the strike was resumed at the same time that the parties returned to the bargaining table. Demands for settlement of the strike by compulsory arbitration increased, and in response the tempo of negotiations quickened. Sam Kagel, a prominent West Coast arbitrator, was called in to assist the parties with 13 specific issues. Using a system he has christened "med-arb," under which the mediator is given power to arbitrate any unresolved issues, Kagel successfully mediated all 13.[4] Finally, on February 18, ILWU members voted overwhelmingly to ratify a contract ending the 134-day strike. The new agreement provided for a 34-percent increase in the next 18 months, but the major portion was made retroactive to December 26, 1971, the date on which the Taft-Hartley injunction was vacated. In addition, the longshoremen received new fringe benefits worth $2.51 per hour; Class A longshoremen were given a guaranteed week of 36 hours; and PMA agreed to contribute to a special fund the sum of one dollar for each ton of containerized cargo not loaded or unloaded by longshoremen.

Work on the West Coast docks now resumed, but a new problem loomed. The wage and fringe package granted by PMA was in excess of the Pay Board guide lines. On March 16, the Pay Board, with all five labor members dissenting, voted to reduce the first-year wage and fringe increases from 20.6 to 14.9 percent. ILWU immediately threatened to call another strike, directed this time at the Pay Board, rather than PMA, which had argued strongly for approval of the entire settlement; the Government announced that it would act immediately through the courts to block a new strike; and spokesmen for organized labor accused the administration of maneuvering for political purposes "in concert with some of the nation's largest employers to set the stage for permanent legislation robbing employees in all transportation industries of their right to free collective bargaining."[5]

Despite the subsequent decision of the ILWU not to strike against the Pay Board action, the union retains the right to cancel the agreement with PMA on 24 hours' notice, should wage controls continue beyond January 31, 1973. Moreover, recent action by the NLRB[6] suggests the possibility that the one-dollar-a-ton levy on containerized cargo not loaded or unloaded by longshoremen may eventually be declared a violation of the so-called "hot-cargo" section of the NLRA.[7] Harry Bridges, president of the ILWU, has given this as another reason why the union may decide to cancel the agreement. The situation at the moment seems uneasy, at least to outsiders.

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[4] Sam Kagel and John Kagel "Using Two New Arbitration Techniques," *Monthly Labor Review*, Vol. 95 (November 1972), p. 12.

[5] *Los Angeles Times*, March 17, 1972.

[6] See Johansen v. ILWU, 68 CCH Lab. Cas. ¶ 12, 828 (C.D. Cal. 1972).

THE BRITISH DOCK STRIKE

Longshoring is traditionally casual work, and in Britain efforts to decasualize it were not undertaken until relatively recently. Earlier legislative schemes to register the entire dock labor force and assign work on a rotational basis, pay attendance money for daily appearance at the hiring hall, and guarantee unemployment benefits for those temporarily out of work were directed toward alleviating the impact of casual labor rather than eliminating it. The report of the Devlin Committee, appointed by Parliament in 1960, was published in 1965; this represented the first frontal attack on the problem. The thrust of the Committee's recommendations was toward the elimination of casual dock employment. Several of its proposals dealt with the abolition of time-wasting practices and acceptance of firmer discipline by dock workers. It is interesting to note that the Committee considered the possibility of gaining concessions from the dockers by "buying the book," in the fashion of the West Coast longshore employers in the United States, but concluded that Britain's problems were structural ones that could not be remedied within the existing system.

The Devlin Committee recommendations were implemented in 1969 in the form of amendments to the National Dock Labor Scheme. The legislation required the permanent engagement of every dock worker by a permanent employer. The system was self-decasualizing, because employers were responsible for payments to their unemployed dock workers. Unhappily, the new legislation did not meet expectations. It failed to produce sufficient mobility in the dock labor force or flexibility in the use of improved technology. More importantly, it did not induce a change in the so-called "casual attitude" prevalent among dock workers. This attitude is characterized by hostility to discipline, cavalier observance of collective agreements, resistance to modernization, pride in personal physical strength and skill, and in general, a degree of individualism rarely matched by workers in other industries.

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[7] NLRA, Sec. 8(e) states in part that it is an unfair labor practice for any union and employer to enter into an agreement, express or implied, whereby the employer agrees to cease handling, using, selling, transporting, or otherwise dealing in any of the products of any other employer, or to cease doing business with any other person. Any such agreement is unenforceable and void.

Among the principal factors leading to the dock strike of 1972 were the economic recession and, in the same period, a rapid expansion of the containerization program. In February 1972, unemployment mounted to over four percent, the highest rate in Britain in 25 years. And in London alone, the dock labor force was reduced from 18,000 in 1969 to 14,500 in 1972, solely as a consequence of the introduction of new cargo-handling methods. In June 1972 employment in the industry was declining at the rate of 7 percent per year, and the dock labor force was down to 42,000 men—50 percent of the 1947 level. Faced with rising unemployment, the dockers regarded with particular resentment those port employers who closed down entire dock facilities, opened brand-new container depots inland, and paid their new employees less than half the daily dock rate.

The dock strike erupted in the summer of 1972. In formal terms, there were four parties to the dispute: the port employers, the container facility employers, the dockers, and the container packers and drivers. The last-named group are mostly represented by the Transport and General Workers Union (TGWU); the dockers are divided in their representation, with the majority belonging to the TGWU and a minority to the rival, unregistered National Association of Stevadores and Dockers. Actually, however, there was a very important fifth party, the unofficial National Ports Shop Stewards' Committee (NPSSC), which had periodically "blacked" (i.e. refused to handle), in defiance of TGWU orders, containers packed by nondockers for unregistered employers.

The NIRC entered the picture in April 1972, when it ordered the TGWU, which had refused to appear before the Court, to effect a halt to blacking by the Liverpudlian shop stewards of Heaton's Transport, Ltd. or be fined for contempt. The TGWU attempted to comply, but was unable to control the stewards. In consequence, it was fined $130,000. Despite its vow that it would never appear before the NIRC, the TGWU did in fact do so in order to appeal the fine. On May 13, however, the NIRC affirmed the union's liability for the unauthorized acts of its shop stewards and gave the TGWU three weeks in which to discipline the stewards.

On May 17, the TGWU announced its intention of taking a "hard line" with shop stewards who encouraged unauthorized blacking, including the removal of their steward status. The union's efforts to explain this to some 600 of its members at a meeting on May 25 in London were, however, singularly unsuccessful. Said one union official, "We will carry out the law and the law says we will not black indiscriminately." "F - - - the law," a docker yelled in reply, and the men immediately voted, 600 to 0, against the plea to end blacking. Significantly, the dockers voted expressly against taking the "advice" of the TGWU, the rough equivalent of a vote of no confidence. The prestige of the NIRC also suffered another major rebuff when, on June 13, the Court of Appeal reversed its decision holding the TGWU responsible for the unauthorized acts of its shop stewards.

Meanwhile, on May 2, the TGWU had announced that it would call a nationwide dock strike if an acceptable agreement could not be reached with the port employers on the container problem. The NPSSC, however, opposed the proposed strike, preferring the freedom to take local action unhampered by national negotiations. The principal issues in dispute were a raise in "fallback money," i.e., the amount guaranteed dockers for whom no work is available; severance pay for dockers voluntarily leaving the industry; and the definition of dock work, which the dockers proposed be expanded to include packing and stripping at container depots within ten miles of a dock. In respect of this last issue, port employers protested that they lacked the authority to negotiate for the container companies.

The strike, which had been called by the TGWU for June 2, was postponed until June 16, and later until July 26, in order to give a joint union-employer committee, co-chaired by TGWU general secretary, Jack Jones, and Port of London Authority chairman, Lord Aldington, time to consider the various problems involved and report recommended improvements. It was agreed that if the recommendations should not be approved by the docks delegate conference of the TGWU on the latter date, strikes would follow. However, the NPSSC, which clearly controlled the dock labor force, successfully called an unofficial nationwide dock strike on June 14.

Meanwhile, the NPSSC had been blacking the Chobham Farm container depot, Europe's largest container facility, located just two miles from the London docks, and owned by Tom Wallis, a dock employer. Prompted by complaints by his own employees, who were all members of the TGWU, Wallis lodged a complaint with the NIRC. On June 12, the NIRC ordered a halt to the blacking. This time the NIRC, having just been advised of the Court of Appeal decision referred to earlier, directed its order to the individual shop stewards instead of to the TGWU. The Court also threatened to jail three London dock stewards charged with leading the blacking of Chobham Farm, and three days later it issued the arrest order. Dockers throughout the nation—some 35,000—immediately went out on a sympathy strike. But for the second time in three days, the Court of Appeal reversed the NIRC, holding that the arrest warrants had been issued on insufficient evidence. The decision was announced minutes after the warrants had become effective, and prompted immediate charges by labor leaders that it had been politically inspired in order to extricate the Government from an embarrassing situation. The NPSSC "reluctantly" called off its unofficial strike, but announced that efforts to black all container companies using nonregistered labor would be redoubled, and that any further attempts to invoke the IRA would be answered with national strikes.

The NPSSC then began to extend its blacking to include road haulage firms, storage facilities, and import distribution services. Midland Cold Storage, which was not a container depot, appeared before the NIRC on July 6 to seek an order restraining the dockers from blacking vehicles delivering freight to the store. The Court granted an interim order against seven shop stewards identified as leaders of the blacking, two of whom had previously ignored a similar order handed down in the Chobham Farm case. At the same time, the Court refused to enjoin the NPSSC, concluding that an unofficial organization was not within its jurisdiction. The dockers announced they would ignore the order.

On July 21, the NIRC ordered that five of the seven stewards be jailed for contempt. The immediate result was a proclamation of an unofficial nationwide dock strike. Members of a recently-formed Driver's and Warehousemen's Action Group, drawn from the TGWU and several other organizations, who had been engaging in retaliatory picketing against the dockers, ceased this activity and joined forces with the dockers against the IRA and the NIRC. Three of the dockers ordered imprisoned were apprehended at the Midland Cold Storage site, still organizing pickets. They offered no resistance and were carried off to the Pentonville prison amid cries of *Sieg Heil,* singing, booing, and clapping.

By July 24, sympathy strikes had closed all major ports, as well as many other industries. Even Heathrow Airport was shut down on July 26. The TUC announced plans for a general strike on July 31. Meanwhile, the jailed shop stewards, apparently enjoying their martyrdom, refused to purge themselves of contempt. Once again, however, as Harold Wilson had earlier commented about the Court of Appeal's decision in the *Heaton's Transport* case, there came a dramatic intervention in court by "a good fairy in the unlikely shape of the Official Solicitor," who, reversing a position taken a few days earlier, urged the NIRC to release the prisoners. While he pleaded his case before the Court, the House of Lords reversed the decision of the Court of Appeal in *Heaton's Transport* and held that the NIRC had been justified originally in holding the TGWU responsible for the unauthorized acts of its stewards. This timely event not only vindicated the NIRC, but provided it with a rationale for releasing the prisoners, namely, that it was the TGWU, rather than the individual stewards, who should properly have been sued by Midland. It was, indeed, a denouement worthy of Gilbert and Sullivan—in Wilson's words, "as though the conductor had got the scores of Trial by Jury and Iolanthe mixed up."

The imprisoned stewards were released on the same day that the Jones-Aldington Committee issued its recommendations, which represented substantial gains for the striking dockers in respect of security of employment and severance pay. Nevertheless, the recommendations were rejected by the TGWU national docker delegate conference. One reason given for the rejection was the lack of a guarantee that the contested container jobs would be given to the dockers, but there were obviously other reasons as well. Severance pay, long a fact of life in the industry, and commonly referred to as the "golden handshake," was now denounced as "Judas money." Moreover, the *Times* described the singing and dancing accompanying the rejection as wilder than the celebration outside Pentonville prison when the so-called "political prisoners" had been released.

The official dock strike called by the TGWU began on July 28. Although the docks had been closed for a week, it was clear that this new strike was over the issue of containerization, rather than opposition to the IRA. Industries that had been shut down by sympathy strikes resumed operations, and the TUC called off its plan for a general strike. The dockers, in turn, sought to extend the impact of the strike by picketing private wharves and ports at which dock work was performed by members of the National Union of Railwaymen, who had refused to join the earlier sympathy strike.

As the strike continued, public opinion against the dockers snowballed. The abrupt halt of food imports led to immediate shortages and higher prices. The Island of Shetland, which was running dangerously low on supplies of food, fuel, and medicine, was most concerned about another shortage: for the first time in living memory, beer supplies ran out, and the thirsty islanders circumvented the strike by secretly running the blockade with their own "pirate ship" loaded with 25 tons of beer from an unregistered port in Scotland.

Throughout this period, Government action was minimal. Emergency powers granted by Commons on August 8 were used very sparingly; every effort was made to avoid interference with conciliation efforts then being made. On August 14, the Jones-Aldington Committee announced a new proposed agreement to end the strike, the most important provisions of which were a two-tier scheme of container-handling charges, with increased charges for handling containers loaded in plants "not conforming to standards of pay and conditions of registered dockers," and the building by the Port of London Authority of a large container facility on the docks, to be staffed entirely by dockers.

On August 17, the dock delegates approved the Jones-Aldington Committee proposal, despite the violent efforts of a militant minority of dockers to force another rejection. The same day, however, unofficial dock strikes were announced at Liverpool and Manchester, and shop stewards in London and Hull prepared to recommend strikes at those ports on the following day. But to the surprise of almost everyone, dockers at the two latter ports voted overwhelmingly to resume work. Liverpool and Manchester, now standing alone, were unable to hold out and the dock strike officially ended on August 20, 1972.

Emergency Disputes and the Role of Law

The foregoing account of the American and British dock strikes demonstrates, once again, the powerlessness of law to deal with certain types of disputes. In the United States the Government was well aware, on the basis of experience, that the Taft-Hartley emergency procedures were virtually useless in preventing or terminating maritime and longshore strikes. The West Coast longshore strike of 1971 simply reaffirmed previous observations in this regard. It seems reasonable to infer that the administration belatedly invoked the Act's emergency procedures solely because of mounting political pressures, and not because of its confidence that those procedures would materially aid in the settlement of the dispute. The 80-day injunction was violated by both parties, but the federal court wisely refrained from imposing penalties that would have served only to exacerbate the situation. Indeed, the most useful feature of this injunction was that its expiration provided the parties with a convenient retroactivity date for the wage increases resulting from their new agreement.

The limitations of the Taft-Hartley emergency procedures have been so widely noted and criticized that one is hard put to explain why the British Government should have thought they might be useful in its own situation. Britain's smaller size, its less resilient economy, its far greater dependence upon foreign imports, particularly food, and its rather chaotic (from an American point of view) system of industrial relations, would seem to suggest that emergencies as defined in the IRA will arise somewhat more frequently than they have in the United States under the LMRA. If this is true, the British need something better than what we have. We have muddled through with Taft-Hartley emergency procedures for the last 25 years, not because those procedures are particularly useful, but because, with a few notable exceptions, collective bargaining in the industries covered by that Act have worked quite well. For the 25-year period, we have averaged considerably less than two cases a year in which the Act's emergency procedures were invoked.

In the eyes of most foreign observers, however, collective bargaining in Britain has not produced a similar stability and freedom from major disruptions of work. And it seems apparent that the approach to emergency disputes adopted in the IRA is unlikely to have any ameliorative effect and may only make settlements more difficult. Perhaps that is why the IRA emergency procedures were not invoked during the recent dock strike. On the other hand, events during the strike demonstrated that efforts to enforce the new public policy against certain kinds of secondary pressures through private litigation had an absolutely polarizing effect on relations between the Government and the labor movement.

In the final analysis, despite certain obvious parallels in the introduction in the respective countries of the LMRA and the IRA, the situations were, basically, entirely different. Although organized labor in the United States denounced the LMRA as a "slave labor" law, the statute actually reflected many policies already established by, or at least acceptable to, the collective bargaining parties. Of these, by far the most important was the notion that collective agreements are binding contracts, enforceable by either party against the other. Arbitration as a substitute for the strike was firmly established in much of the organized private sector by 1947, a fact confirmed by the relative ease with which the Supreme Court's subsequent elaboration and expansion of the principle was assimilated into existing practice. Moreover, American unions, well-known for their acceptance of the basic economic and social philosophy prevailing in this country and for their willingness to "work within the system," have largely come to terms even with the genuinely hated Taft-Hartley 80-day injunction. Indeed, in most instances the Act's emergency procedures would be hopelessly snarled without the unions' full cooperation.

Whereas the LMRA may be viewed, at least in some respects, as an evolutionary development in the history of American labor-management relations, the IRA appears to me to represent quite a revolutionary change. Its primary purpose is to create greater stability in labor-management relations by subjecting them to statutory and administrative rule, as opposed to self-regulation. It is intended, more specifically, that collective agreements shall now, for the first time in British history, be subject to legal enforcement, and that serious legal consequences shall attend the casual violations of such agreements by "unofficial" strikes or other forms of "irregular industrial action." This objective seems sensible enough, but one wonders whether the methods adopted in the IRA to achieve it are wise or likely to succeed. Moreover, unless this primary objective is achieved, there can be little hope that the Act's publicly- or privately-initiated disputes procedures, insofar as they involve the courts, will be either respected or effective.

In conclusion, I should like to revert to the economic issues underlying the two dock strikes, and for this purpose I am deliberately ignoring the sociological aspects of longshoring work in every country, as well as the special problem in Britain of the internal struggle for power between top union leaders and shop stewards. The basic problem in both strikes was the elimination of jobs caused by improved technology. The workers reacted as they always have in every country; they sought to preserve their jobs by resorting to wasteful make-work practices and by actively resisting technological innovations. In both the United States and Britain the problem was and is further complicated by competing claims of jurisdiction over some of the work by powerful rival unions and also, in Britain, by rival groups within the same union. Moreover, both the recent strikes are but historical episodes in a continuing series. The basic differences remain, and the current waterfront peace in both countries has no appearance of durability.

To the resolution of this kind of problem law has virtually nothing to contribute. Intervention by the courts save in relatively rare cases to preserve the peace, is almost always counterproductive. In particular, attempts to prevent strikes by formal legal processes have very little chance of success, and the same is largely true of efforts to end strikes through such means. Ultimately, it is public pressure and a gradual return to a more practical regard for their own interests that leads the parties in such cases to compose their differences.

I. PRICES AND INCOMES POLICY: COMPARATIVE ASPECTS

Wage Policy in Phase II: A Preliminary Appraisal

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The recent announcement by George Shultz that the Nixon Administration plans to continue wage-price controls has been hailed because, among other things, it ended uncertainty over that issue and avoided rekindling of inflationary expectations. But there is another, unpublicized advantage—it eases my assignment here today by making the crystal ball considerably less cloudy than it would have been otherwise.

The focus of this paper is not on wage policy itself, but on the apparent results of wage policy—the behavior of wages, productivity and unit labor costs during controls. And although our primary concern is with the period beginning with the wage-price freeze of August 15, 1971, on through the first year of Phase II, you will recall that the first application of wage controls under the Economic Stabilization Act of 1970 was the establishment of the Construction Industry Stabilization Committee on March 29, 1971.

Measuring Wage Changes

A variety of measures is available for anyone who is interested in the behavior of wages under controls. The Bureau of Labor Statistics issues quarterly reports on major collective bargaining settlements and on changes in compensation per manhour, as well as monthly reports on average hourly earnings; the Pay Board issues weekly statistical summaries, and gave what amounted to its first annual report in testimony to the Joint Economic Committee; and the CISC issues monthly summaries of approved increases in union settlements in construction. But for consistency in making comparisons between industries and over time, BLS data are most useful, and we have relied on them unless otherwise indicated.

Wages Under Collective Bargaining

Of greatest concern, perhaps, is the performance of wages under collective bargaining. The size and continued acceleration of negotiated increases in the face of economic slowdown in 1970 and 1971 were important factors in the decision to impose wage controls in 1971; and the fact that negotiated wages are still rising faster than others seems certain to influence the shape of wage control policy in 1973.

A. WAGE CHANGES PRIOR TO CONTROL

BLS data on major collective bargaining settlements show clearly how much more rapidly negotiated wages were rising than were wages generally in the year prior to the wage-price freeze. In the year ending June 1971, the average first-year adjustment in wages and benefits in settlements covering 5,000 workers or more was 11.2 percent, as against an increase of 7.6 percent in the average hourly compensation of all employees in the private non-farm economy. And in settlements covering 1,000 workers or more, the average first-year adjustment in wages alone was 10.4 percent, as against an increase of 7.4 percent in average hourly earnings, adjusted for overtime and inter-industry shifts.[1]

These data also suggest that there was no general or significant slowdown in the rate of increase in union wage settlements prior to the imposition of controls. Using first-year adjustments in wages as a measure, we find that construction wages reached their peak gain of 21.3 percent in 1970-III, and were still rising at a rate of 21.2 percent in 1970-IV, 3 months before they were placed under control of the Construction Industry Stabilization Committee.

Once construction wages were subject to control, of course, their slowdown was reflected in the all-industry collective bargaining data. But first-year wage adjustments in all industries *excluding* construction increased right up to the time they were frozen, and in fact, reached their peak of 13.7 percent in 1971-III, the quarter in which the freeze was imposed. In other words, so far as collective bargaining was concerned, there was no appreciable easing of wage adjustments prior to the establishment of controls in either construction or in other industries, and no firm evidence that union wages had begun to respond to the pressures of a 6.0 percent unemployment rate.

B. WAGES DURING CONTROLS

The key question, of course, is what happened to collective bargaining settlements *during* controls? If we use 1971-III as our benchmark we get a measure of change for the period most nearly corresponding to Phase II, although it tends to overstate the apparent success of controls.

In 1972-III, at the end of the first year of Phase II, BLS data show that first-year adjustments in wages alone (for all industries including construction) were about half what they had been in 1971-III, having fallen from 13.5 percent to 6.9 percent, while for wages and benefits together, first-year adjustments were some 40.0 percent smaller than they had been a year earlier, having eased from 15.0 percent to 8.6 percent.

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[1] *Current Wage Developments,* November, 1972, pp. 48 and 53.

On the other hand, if we use 1971-II, the pre-freeze quarter, as our benchmark, we may understate the impact of controls. Here we find that first-year adjustments in wages only were down one-third, and in wages and benefits together, down one-quarter.

Regardless of whether we measure the change from 1971-II or 1971-III, the slowdown in the rate of increase in collective bargaining settlements has been substantial.

It is interesting to note that except in construction, first-year adjustments in union settlements (both wages only and wages and benefits) lack the post-freeze "bubble" evident in both average hourly earnings and in compensation per manhour data. Thus, after rising in 1971-III, the quarter in which general wage controls were introduced, first-year wage adjustments declined for three consecutive quarters, then rose slightly in 1972-III. And although first-year construction contracts rose by 14.6 percent in 1972-I, only 32,000 workers were involved and their impact on overall collective bargaining data was negligible.

So far as negotiated wages are concerned, then, it is not necessary to wait until 1972-II for a good test of Phase II[2]—the overall pattern of newly negotiated current increases shows a continuous slowdown beginning in 1971-IV, the quarter in which Phase II began.

But the fact remains that increases in negotiated wages are still appreciably larger than those of economy-wide measures. In 1972-III, the average first-year adjustment in wages and benefits was 8.6 percent, as against a 5.6 percent increase in average hourly compensation per employee in the private non-farm economy, while the first-year adjustment in wages alone was 6.9 percent, compared to an increase of 4.8 percent in adjusted average hourly earnings.

B.1. The Construction Industry

No attempt to evaluate the impact of controls on collective bargaining is complete, of course, without considering the special case of construction, which has been subject to wage controls longer than other industries, and which prior to controls had recorded the most rapid rate of wage increase of any unionized industry. In 1972-III, first-year wage adjustments in major construction contracts were 6.0 percent—less than half what they had been in 1971-III, and only one-third of their 18.0 percent average in 1971-I, the quarter before the establishemnt of the Construction Industry Stabilization Committee.

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[2] Barry Bosworth has argued that 1972-II is "the first period that reflects the full impact of controls." See his, "Phase II: The U. S. Experiment With An Incomes Policy," *Brookings Papers on Economic Activity 2, 1972,* p. 362.

What is perhaps more significant about the construction industry stabilization program, however, is that since its inception we have moved from a situation in which major construction settlements *raised* the average size of *all* major collective bargaining settlements to one in which their effect is to *lower* that average. Thus in 1970, first-year wage adjustments in major construction agreements not only reached a level nearly double those in all other industries—in 1970-III, construction settlements averaged 21.3 percent, and all other industries, 10.8 percent—but raised the all-industry average for the full year 1970 from 10.9 percent to 11.9 percent, or by roughly nine percent. In 1972-III, on the other hand, after a year and a half under controls, first-year construction settlements averaged 6.0 percent, as against an average of 6.9 percent for all other industries.

Pay Board Data

If the BLS data give us the best measures of the rate at which wages are changing, the Pay Board data provide a snapshot of a considerably broader area than the BLS measures of major collective bargaining settlements. In particular, the Pay Board's figures cover both union and non-union settlements, and increases in some portions of the public sector (notably public education), as well as the private sector. In its first twelve months of operation, the Borad approved pay packages involving 19,756,000 employees, of whom 55.0 percent were under collective bargaining, and 45.0 percent non-union.

A. Union Settlements

The Pay Board reports that between November 14, 1971, and November 13, 1972, in union cases involving 1,000 workers or more, the average of approved first-year increases was 6.7 percent, and of deferred increases, 5.4 percent, for a weighted average of 5.7 percent. This compares with the average for all Pay Board cases during this period of 5.2 percent.[3]

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[3] All data from Pay Board Statistical Release No. 40, November 20, 1972.

[4] In Pay Board parlance, "during November 1971-November 1972, it is possible for a union unit to have two control years. This has the effect of raising the permissible increases during the 12-month November-to-November period." See Letter to Professional Economists from Daniel J. B. Mitchell, Chief Economist, Pay Board, pp. 9–10.

One analyst has estimated that with maximum permissible wage and benefit increases a union would be eligible for a twelve-month compensation increase of over 21.0 percent. See Charles V. Ciccone, "The Trade-off Between Wages and Fringe Benefits Under Controls," in *Price and Wage Control: An Evaluation of Current Policies*, Hearings before The Joint Economic Committee, Congress of the United States, Ninety-Second Congress Second Session, *Part 2, Studies of Selected Aspects*, p. 350.

But while these figures represent the average annual increase in all *cases* approved in the first year of Pay Board operations, they understate the average annual increase for all *employees,* because under Pay Board regulations, some unions qualified for *two* newly negotiated wage increases within the first year of Phase II,[4] with the result that they were eligible for a *minimum* increase between November, 1971 and November, 1972 of 11.0 percent rather than 5.5 percent.

The result of these "multiple control-year" cases, as the Board describes them, is to bring the approved overall average increase in compensation per employee during the first year of Phase II from 5.2 percent to "about 6.0 percent."[5] which, as the Board noted, is close to the 6.2 percent annual increase in compensation per manhour in the private non-farm economy from 1971-III to 1972-III.

Since only unions were eligible for this double-dip, as it were, and since unions accounted for slightly more than half of all workers covered by Board decisions, it would appear that as the result of the "multiple control year" submissions, the average twelve-month increase per employee in *union situations* was approximately 7.0 percent, rather than the 5.7 percent average on a case basis.

B. Non-Union Settlements

In non-union cases, as one might expect, the average increase was considerably less than in union cases, with a combined average for new and deferred increases of 4.6 percent. And since non-union "units" were eligible for only a single submission in the twelve-months period, the average increase per *case* was identical with the average increase per *employee.*

The fact that pay increases in non-union cases have averaged well below the general pay standard of 5.5 percent obviously provides support for the argument that non-union wages might now be exempt from controls, leaving the Pay Board to concentrate its energies on the negotiated wages. It should be borne in mind, however, that in the expansion of the early 1960's, non-union wage increases in manufacturing (the only other data we have on non-union wages) were larger than union increases. If this pattern were about to be repeated, de-control of non-union wages may be wrong from an economic standpoint as well as politically awkward—since unions might justifiably regard it as discriminatory.

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[5] "The Pay Board After One Year of Operation." Submission to the Joint Economic Committee, Congress of the United States, by Judge George H. Boldt, Chairman Pay Board, November 10, 1972, p. 3.

Wages, Productivity and Unit Labor Cost

During the period of controls, the rate of wage increase has slowed significantly, particularly in the last six months. But when it comes to cutting labor costs, effective wage restraint is only one blade of the scissors—the other is productivity growth. Both are crucial to the fight on inflation.

It is significant, therefore, that following two years of little productivity growth in 1969 and 1970, productivity gains in 1971 and 1972 have been substantial, rising above the 3.0 long-term growth rate in both the total private economy and the private non-farm sector.

In 1971, output per manhour in the private non-farm economy was up 3.6 percent from the previous year, as against 0.6 percent in 1970; and in the first nine months of 1972, it has risen at a rate of more than 4.0 percent.

This sharp productivity gain, combined with an easing in the growth of compensation per manhour, resulted in an almost fifty percent reduction in the rate of gain in unit labor costs in the private non-farm sector, from 6.6 percent in 1970 to 3.4 percent in 1971. And in 1972, unit labor costs in the private non-farm sector have not only stopped rising, but have actually declined in the second and third quarters.

It is worth noting that a larger part of this improvement in unit labor costs has been due to the acceleration in productivity than to the deceleration of compensation.

Indeed, the current high rate of productivity growth may prove embarrassing to the Pay Board, whose general pay standard assumes a 3.0 percent rate of productivity gain, rather than 4.0 percent. In 1966, it will be recalled, that when the trend rate of productivity increase rose above 3.2 percent, organized labor began to call for an *easing* of the wage standard, on the ground that a pay formula geared to 3.2 percent was in fact unduly restrictive.

But past experience suggests that the current rate of productivity growth cannot be sustained, and that a slowdown from the present high rates of growth may be expected in 1973, and along with it some rise in unit labor costs. And when productivity eases, restraint on the rate of increase in compensation will become more rather than less critical if inflationary pressures on the cost side are to be controlled.

Future Influences on Wages and Wage Policy

Other changes in economic conditions expected in 1973 will have mixed effects on wage behavior, and in turn, on the efficacy of controls.

The fact that the overall unemployment rate declined to 5.2 percent in November, from a plateau of 5.5 percent for the preceding five months indicates a tightening of the labor market, which, of course, tends to increase the upward pressure on wages.

And although union wages are generally slow to respond to changing economic conditions, the heavy bargaining schedule for 1973, with some 4.7 million workers subject to major contract expirations or wage reopenings, suggests a faster than average response of union wages to reduced unemployment rates and vigorous economic activity, particularly in such industries as over-the-road trucking, automobiles and related industries, and electrical equipment, where contracts negotiated in 1970 are up for renewal.

The fact that nearly 4.7 million workers will be subject to newly negotiated wage increases in 1973, as against 2.8 million in 1972, means that in calculating the average total increase, the weight given to new increases will rise sharply, while that given to deferred increases will decline. The rise in the importance of new increases will create considerable upward pressure on the average total increase, and while this will be offset to some extent by a predicted drop in the size of the average deferred increase in 1973, there seems little prospect for a decline in the average *total* increase in 1973, unless the average of newly negotiated wage settlements declines still further.

On the other hand, there is some evidence that even without formal changes in Pay Board policy, the present regulations will provide a somewhat tighter control than in the first twelve months' experience under the Pay Board. One of the major exceptions to the general pay standard, the "catch up" provision, expired November 13, 1972. Since it permitted increases of as much as 1.5 percent beyond the general pay standard, its termination will reduce the extent to which increases can exceed the general pay standard, and thus contribute to a smaller average increase than would be possible if it had been continued.

Second, the double standard with respect to "control years" which permitted many unions to win approval, even without relying on exceptions, of increases of 11.0 percent in the twelve-month period November 14, 1971 to November 13, 1972, also ended with the completion of the Pay Board's first year of activity. Union and non-union control years are now twelve months long. Indeed, this may prove to be the most important change in the Board's control power, for by the Board's own estimate, the "multiple control year" policy raised the average total increase during its first year from 5.2 percent to about 6.0 percent, or roughly 0.8 percentage point.

Since it may not be politically feasible to reduce the general pay standards, the Administration may have to be content with the kind of gains indicated here. They are not insignificant.

In conclusion, let me remind you that although the Pay Board's general pay standard is 5.5 percent, it rises to 6.2 percent if "qualified benefits" are involved, and according to the Board, "when wage and qualified fringe benefits are combined, the basic standard can be raised as high as twelve percent if the proper combination of criteria is met." [6] Thus, it would appear that the size increase an organization is eligible for depends not only on the Board's judgement in that case, but on the *composition* of the pay package it submits for approval, which in turn may be as much a product of previous decisions as of current ones. Under these circumstances, it becomes impossible to judge how "strict" or "easy" the Board has been simply by how close it comes to the 5.5 percent standard.

In any case, since the Pay Board is committed both to combatting inflation and to minimizing the disruption of collective bargaining by controls, the effectiveness with which it meets these *dual* goals cannot be measured in terms of the 5.5 percent non-inflationary pay standard alone.

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[6] "The Pay Board After One Year of Operation," *op. cit.*, p. 9.

Wage-Price Experience in the United States and Canada: A Discussion of the Issues and Policy Implications*

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I. Wage-Price Experience in the Two Countries

Undoubtedly the phenomenon of paramount importance in the last decade is a stubborn inflation in both the countries. Hardly during the 1960's has the Consumer Price Index (CPI) been stable whether in the United States or in Canada. Inflation thus can be described to have been a constant companion of these two neighboring economies for the recent past. What is more disconcerting is that the rate of inflation has by and large refused to decline much. In Canada, the inflation rate decreased for a short while in 1970 but has picked up again. This accelerating inflation in Canada exceeded the rate of inflation in the United States around 1971, when the latter was experiencing Phase 1 of the wage-price control and her rate of inflation was showing some signs of decline. Broadly speaking, however, the rates of change of the aggregate consumer price index in the United States and Canada coincide with each other in their turning points, thus indicating a sequential similarity between the two.

The next questions in the context of inflation are whether employee compensation during the period lagged behind the rise in Consumer Price Index and whether unit labor cost has risen faster than prices. Changes in labor costs depend, among other things, on (1) changes in the rates of employee compensation and (2) changes in productivity. On these questions some general observations may be hazarded. First, Average Hourly Earnings in the United States and Canada manufacturing industries have been increasing throughout the period. Secondly, there is a mild upward trend in the rate of increase of Average Hourly Earnings in both the countries. By and large, Average Hourly Earnings have, throughout the period, increased at a higher rate than the consumer price index, indicating a real gain in employee compensation. This feature is relatively more visible in Canada than in the United States. At the same time, unit labor costs have risen significantly in both countries.

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* This paper is a *verbalized and condensed* version of the paper presented at the December 1972 meetings.

Regarding unemployment, it appears that ever since 1967 Canada has had a higher rate of unemployment than the United States. In Canada the rate rose steadily from 3.6 percent in 1966 to 6.4 percent in 1971, while in the United States the rate fell from 3.8 percent in 1966 to 3.5 percent in 1969, when it took an upturn again and rose to 5.9 percent in 1971. A matter of concern is that high inflation has been accompanied by not only high levels of unemployment but still worse, increases in the rate of unemployment.

Extensive research, both in the United States and Canada, has yielded a list of possible factors responsible for this situation, viz., demand pressures, monetary and fiscal policies, lagged response in costs and prices to changes in demand, expectations, linkages with foreign economies, market power of corporations and unions, changes in labor force composition, etc. These and other points will be discussed at greater length in the pages that follow.

II. Explanations of the Inflation-Unemployment Trade-off

In the field of macroeconomics there are important divisions over appropriate inflation policies. These stem partly from differing value judgments as to the costs and benefits of alternative policy prescriptions, but more fundamentally from alternative views on how the wage-price mechanism operates, i.e., what mechanisms generate and sustain wage-price movements.

Only slightly more than a decade ago the Phillips curve replaced the Keynesian view of a flat relationship between the rate of price change and the level of unemployment, until unemployment reached some rather low level. The Phillips curve was taken by some as a synthesis of the excess demand and market power explanations of the inflationary process. More recently, the impact of the structure of unemployment on the rate of change of wages has been incorporated into the analysis.

Today the opposition to the Phillips curve comes from a more sophisticated version of the classical view which might be called the neoclassical position, since it allows for a short-term trade-off between inflation and unemployment and incorporates price and wage expectations as well as the Wicksellian idea of a natural rate for economic variables into the analysis.[1] This analysis, which hypothesizes a natural rate of unemployment, states that a permanent increase in the inflation will bring only a temporary fall in the unemployment rate below the natural rate. A permanent reduction of the unemployment rate to a figure below the natural level would require an ever-increasing inflation rate.

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[1] See E. S. Phelps, "Money-Wage Dynamics and Labor-Market Equilibrium," *Journal of Political Economy,* Vol. 76, Part II (July/August 1968), pp. 678–711; and Milton Friedman, "The Role of Monetary Policy," *American Economic Review,* Vol. 58, March 1968, pp. 8–11.

Recent work in the area has, however, been moving toward an integration of the expectations hypothesis with the augmented Phillips curve analysis.[2] Such an integration allows for considerable trade-off in the short-run, but limited trade-off in the long-run. When the price equation is developed, it generally takes a similar eclectic bent and incorporates a combination of target-return pricing, full-cost pricing, and competitive pricing mechanisms.[3] With the rise of the expectations hypothesis relating to inflation, price expectations has also been incorporated into the price equation.

In the empirical testing of the relationships, proxy variables have had to be employed to measure excess demand.[4] In the basic Phillips curve relationship the level of unemployment was employed to measure excess demand in the labor markets. Other studies have used vacancies, short-run productivity changes, as well as changes in vacancies and unemployment as measures of excess demand in a dynamic setting.

A number of studies have found profits or the profit rate as important variables for explaining wage changes. An explanation of their role has, however, remained a matter of controversy. Some have argued they reflect bargaining power and the ability of management to grant wages increases. More recently Gordon and Hynes[5] suggest that profits be included in competitive wage models as well, since profits may represent informational input such as the state of demand in the product market and help in the formation of expectations. In a recent study using United States data, Turnovsky and Wachter[6] found that when expectations variables were included in wage equations, the profits variables become less significant.

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[2] See Robert J. Gordon, "Wage-Price Controls and the Shifting Phillips Curve," *Brookings Papers on Economic Activity* (2:1972), pp. 385–431; O. Eckstein and Roger Brinner, *The Inflation Process in the United States,* a study prepared for the use of the Joint Economic Committee, Joint Committee print, 92d Congress, 2d Session, (February 1972); John Vandercamp, "Wage Adjustment, Productivity, and Price Change Expectations," *Review of Economic Studies*, Vol. 39 (January 1972), pp. 61–73.

[3] See, for instance, O. Eckstein and G. Fromm, "The Price Equation," *American Economic Review*, Vol. 58 (December 1968), pp. 1159–83; and Calvin D. Siebert and Mahmood A. Zaidi, "The Short-Run Wage-Price Mechanism in U. S. Manufacturing," *Western Economic Journal,* Vol. IX, (September 1971), pp. 278–288.

[4] For a discussion of the excess demand variables, see Mahmood A. Zaidi, "Unemployment, Vacancies and Conditions of Excess Demand for Labor in Canada," *Applied Economics* (2:1970), pp. 101–112.

[5] Donald F. Gordon and A. Hynes, "On the Theory of Price Dynamics," in *Microeconomics Foundations of Employment and Inflation Theory,* E. S. Phelps, ed., (New York: W. W. Norton and Company, Inc., 1970), pp. 369–394.

[6] Stephen J. Turnovsky and Michael L. Wachter, "A Test of the 'Expectations Hypothesis' Using Directly Observed Wage and Price Expectations," *Review of Economics and Statistics,* LIV (February 1972), pp. 47–55. Siebert and Zaidi, *op. cit.*, also found that profits become less significant when lagged wages were included in the regression. Lagged wages in a wage regression can be interpreted as a longer run influence or as an implicit expectations variable.

More explicit inclusion of union power in the determination of wage changes has been formulated recently by Ashenfelter, Johnson, and Pencavel.[7] Their results indicate that for the United States unions have affected not only the level of wage changes but also the timing of aggregate money wage changes. They also find that the short-run wage change response to excess demand forces appears to be diminished or even eliminated from the union sector of manufacturing. For Canada, the evidence appears to be less clear-cut.[8] The questions of the relative role of market versus institutional variables in the two countries under study is still far from being settled, and the arguments are likely to continue in the near future.

There are several reasons why the aggregate Phillips curve might shift with a change in dispersion or composition of unemployment. In other words, unemployment becomes more of an imperfect measure of excess demand or labor market tightness when there are shifts in the structural imbalance in the labor markets. One reason for such a shift would be an increased dispersion of sub-market unemployment rates about the mean if the reaction coefficients and/or the transformation function between excess demand and unemployment are generally non-linear. Archibald[9] found evidence for such shifts using postwar United States data. Such a finding implies that wage inflation can be reduced by reducing dispersion of unemployment between sectors. More recently, however, Breckling[10] tested for non-linearity in the transformation function using a multi-sector model and found no evidence for such non-linearity.

Another reason why the aggregate Phillips curve might shift has been advanced by Perry.[11] Perry found unweighted unemployment as it is generally used in wage equations has shifted in the later part of the 1960's because of the relative increase in young people and women included in the labor force. He suggests a weighted unemployment measure, in which the unemployment rate for each age-sex group is weighted by the relative hours of work and wage levels of that group, as the better measure of excess demand. In addition, he found an unemployment dispersion index also significant in the wage equation. Perry's dispersion index measures the variance of unemployment rates among different age-sex groups. As such, it is different than Archibald's measure, which considered unemployment variances among regions and industries.

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[7] O. C. Ashenfelter, G. E. Johnson, and J. H. Pencavel, "Trade Unions and the Rate of Change of Money Wages in United States Manufacturing Industry," *Review of Economic Studies*, Vol. 39 (January 1972), pp. 27–55.

[8] For a discussion of the various Canadian studies dealing with union influence, see Sylvia Ostry and Mahmood A. Zaidi, *Labor Economics in Canada*, (Toronto: Macmillan Company of Canada, 1972), pp. 225–227.

[9] G. C. Archibald, "The Phillips Curves and the Distribution of Unemployment," *American Economic Review*, Vol. 59 (May 1969), pp. 124–134.

[10] Frank Breckling, "Wage Inflation and the Structure of Regional Unemployment," University of Essex, Discussion paper No. 40, 1972.

[11] George L. Perry, "Changing Labor Markets and Inflation," *Brookings Papers on Economic Activity* (3:1971), pp. 411–441.

Undoubtedly, the use of measures of aggregate variables such as unemployment which incorporate structural change in the labor market in their values is to be applauded. However, a multi-sector approach such as Breckling employs will propably provide more detailed knowledge of the changing structure of the labor markets and of excess demand.

From the beginning of the Phillips curve approach, estimations of the wage-price system included price level changes in the wage equation and found significant coefficients. With the advent of expectations hypothesis, the appropriate price variable in the equation became expected price increases. According to the strict expectational hypothesis, the coefficient of the price expectations variable should equal one. In other words, wages in the long run should increase by the full amount of any increase in expected prices.

Recently, a number of empirical studies have tested whether the coefficient of expected prices changes is significantly different from one. The results for the United States, except for results using secular data, are that the coefficient is generally significantly less than one;[12] but the expectation terms are generally significant. The recent study by Eckstein and Brinner [13] for the Joint Economic Committee proposed a two-track model in which an inflation severity factor affects wage increases if inflation has been above 2.5 percent per annum average for two years. Their estimates imply the long-run Phillips curve has a trade-off until unemployment reaches 4.2 percent and becomes nearly vertical at that level of unemployment. At the same time their equations imply a short-run Phillips curve which is quite flat.

Gordon [14] made a detailed comparison of the Perry,[15] Eckstein and Brinner [16] and Gordon models. He pointed out that the Eckstein and Brinner inflation severity variable acts as a shift variable in order to explain the 1969–1971 inflationary period in the United States, but concluded that expectations play an important role in explaining inflation although the coefficient of expected price change remains less than one. He suggested that a variable elasticity of wage change to expected inflation be considered. In other words the coefficient of expected price change may increase with length of the inflationary period, e.g., the elasticity of wage change to expected rate of inflation may be a positive function of the expected rate of inflation itself. Gordon also found that the shift in labor market structure through unemployment dispersion continues to be significant even when the full impact of changing inflation expectations are allowed.

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[12] See Gordon, *op. cit.*, p. 404, and Turnovsky and Wachter, *op. cit.*, pp. 51–52.
[13] Eckstein and Brinner, *The Inflation Process in the United States*, *op. cit.*
[14] Gordon, *op. cit.*
[15] Perry, "Changing Labor Markets and Inflation," *op. cit.*
[16] Eckstein and Brinner, *op. cit.*

For Canada the results on the expectations hypothesis are different. Both Vandercamp[17] and Turnovsky[18] found that the coefficient of expected prices is not significantly different than one. In other words, there appears to be little or no long-run trade-off between inflation and unemployment for Canada. Canada also has large regional differences in unemployment which help explain its relatively high short-run inflation-unemployment trade-off.

The openness of the Canadian economy, as well as its close association with the United States economy, may raise the question: How independent of the United States inflation are Canadian price increases?[19] Many observers have noted the close similarity between wage and price movements in both countries. In fact, recently, Turnovsky[20] found that United States price expectations data worked very well in Canadian wage regressions.

In summary, an Expectations Phillips Curve Model appears most consistent with the empirical results in Canada and the United States. Anticipated inflation as well as unemployment and various other measures of excess demand in the labor market appear to be significant. Shifts in labor market structure also appear to be important in the United States, while the impact of anticipated inflation appears stronger in Canada than the United States.

For the price equation, a combination of standard costs, actual costs, and disequilibrium demand elements give the most satisfactory explanation of prices.[21] Solow[22] has also found price expectations to be significant in price equations for the United States, although with a coefficient of less than one. For Canada, import price changes appear to be necessary in the explanation of price changes. This is due to the large foreign trade sector in Canada.

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[17] Vandercamp, *op. cit.*, pp. 64–67.

[18] Stephen J. Turnovsky, "The Expectations Hypothesis and the Aggregate Wage Equation: Some Empirical Evidence for Canada," University of Toronto Working Paper No. 7012, October 1970.

[19] Vittorio Bonomo and J. Ernest Tanner, "Canadian Sensitivity to Economic Cycles in the United States," *Review of Economics and Statistics*, Vol. LIV (February 1972), pp. 1–9 present evidence on the close association of the American and Canadian business cycle with the Canadian cycles tending to slightly lag those in the United States. Nearly 70.7 of Canadian foreign trade is with the United States and nearly a third of Canadian firms are owned by United States residents. Union contracts tend to apply in both countries.

[20] Turnovsky, "The Expectations Hypothesis and the Aggregate Wage Equation: Some Empirical Evidence for Canada," *op. cit.*

[21] See Eckstein and Fromm, "The Price Equation," *op. cit.*, and R. G. Bodkin et al., *Price Stability and High Employment: The Options for Canadian Policy*, Economic Council of Canada, Special Study No. 5 (Ottawa: Queen's Printer), 1967.

[22] Robert M. Solow, *Price Expectations and the Behavior of the Price Level* (Manchester: Manchester University Press), 1969.

III. Implications for Incomes and Other Policies

A major reason for the importance of the Phillips curve analysis after its acceptance in the 1960's was that it seemed to offer the policy maker a menu of choices between unemployment and inflation. The policy maker could choose an appropriate combination of unemployment and inflation depending on the relative social costs he attached to each of them.

Subsequent analysis incorporating the expectations hypothesis has shown that the room for trade-off for a substantial period of time is severely limited. For Canada, since the coefficient of price expectations equals one, the long-run trade-off is very small indeed. In other words, efforts to keep the level of unemployment below the natural rate cannot continue indefinitely without increasing inflation. For the United States the evidence is consistent with some trade-off, even in the long-run, especially if the level of unemployment is not kept too low. In any event, the picture of the policy maker with broad menu of choice appears to have been a mirage created by the short-sightedness of the initial analysis.

Since the natural rate of unemployment allows for considerable structural imbalances of the labor markets, it might be asked whether evidence of some lag in the adjustment of expected prices to actual prices might be a way out of the dilemma. For several reasons it could be argued that if aggregate demand were such that actual unemployment were below the natural rate, there may be a tendency for the natural rate of unemployment to shift to a lower level. In time of low unemployment, vacancies are high; firms lower their employment standards and hire workers who they would not have hired previously. These workers acquire experience and on-the-job training which increase their productivity. In fact, in times of tight labor markets, firms find it profitable to increase on-the-job training, since their alternative is to pay overtime or to not have the product produced. Also in times of tight labor markets, geographical structural unemployment, i.e., workers unemployed because workers with their qualifications are not needed where they are located, is reduced because of the increased mobility of the unemployed as a result of higher probabilities of acquiring a job at another location. The experience and training these workers acquired will tend to lower, *ceteris paribus,* the natural rate of unemployment.

Unfortunately, offsetting this tendency for the natural rate of unemployment to decrease in periods of tight labor markets is the fact that new inexperienced entrants are continually coming into the labor force and experienced workers are retiring. In the United States, new entrants in labor average about one and one-half percent of the labor force. Many of these will be unemployed because of location, lack of skills, discipline, or experience and probably more than offset the reduction of structural unemployment because of high aggregate demand.

During the low unemployment periods of the later part of the 1960's this appears to be what happened in the United States, according to Perry's[23] evidence. Despite tight labor markets, structural imbalance increased, shifting the short-run and long-run Phillips curves out. The increase in structural imbalances which resulted from the increased rate of entrance of inexperienced young workers into the labor market was reinforced by the structural problems accompanying the Viet Nam War.

Manpower programs have been suggested as an alternative to high demand as a method to improve the trade-off between inflation and unemployment. Although some have expressed optimism on the ability of such programs to improve the trade-off, it is questionable whether it would be politically feasible to undertake programs large enough to overcome the structural changes occurring in the labor market due to the entrance of young, inexperienced workers.

Incomes policy provides a third possible method to improve the trade-off between inflation and unemployment. Incomes policy generally breaks the trade-off between inflation and excess demand and replaces it by a constant level of wage increase plus a much weakened association with excess demand. If an incomes policy is strictly enforced, as during wartime wage and price control, the Phillips curve becomes a horizontal line at the level of accepted rate of wage increase. Such an incomes policy can reduce autonomous wage inflation by setting the wage increase norm below that which would occur through normal workings of the market and bargaining process.

The problem, of course, with an incomes policy is how to make it effective under conditions of voluntary compliance. The record on past uses of incomes policy is not clear cut. For example, a study of incomes policy in seven western European countries concludes that ". . . income policy, to generalize from the experience of the countries studied in this account, has not been very successful. . ."[24] On the other hand, Lipsey and Parkin[25] conclude incomes policy has had some success in Britain.

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[23] Perry, *op. cit.*

[24] Lloyd Ulman and Robert J. Flanagan, *Wage Restraint: A Study of Incomes Policies in Western Europe* (Berkeley: University of California Press, 1971), p. 216.

[25] R. G. Lipsey and J. M. Parkin, "Incomes Policy: A Re-appraisal," *Economica*, Vol. 37 (1970), pp. 115–138.

Turning to the countries of our immediate interest, the United States and Canada, the evidence is still being debated. The United States has had two periods of incomes policy since the price controls during the Korean War. These were the wage-price guideposts enunciated in 1962 and continued until about 1966, and the wage-price freeze started in August 1971, followed by wage and price guidelines three months later.

The impact of the 1962-1966 guideposts is still a matter of debate. Recent studies on the problem have reached differing conclusions. For example, Eckstein and Brinner[26] argue that the guideposts were effective while Gordon[27] argues that disguised unemployment and variations in personal tax rates imply the moderation in wages would have occurred without the guideposts.

The effectiveness of the latest incomes policy is still being evaluated. But preliminary results indicate it has had some effect. Gordon,[28] using his econometric model of wage and price behavior, found that its predicted price increases would have been nearly 2 percent higher without the controls. Bosworth[29] argued that the controls must be credited with some of the reduction in inflation of from 1½ to 2 percent from August 1971 to the second quarter of 1972.

One problem with evaluating the control program of 1971 is whether the slowdown in wages and prices was due to the controls or to the lagged response of the 1970 recession in the economy. Further study will be required to sort out all the influences operating. Assuming, as appears likely, that subsequent studies verify that the moderating impact of the control, the United States experience shows that an income policy with full national commitment can work.

The Canadian experience along these lines shows the ineffectiveness of such a program without strong governmental and public backing. The Prices and Incomes Commission discussed with management, labor, and government representatives in 1969 a similar broad program of wage and price restraint for Canada.[30] A more limited program of price restraint in which firms were required to not pass along the full amount of cost increases was adopted in 1970 after discussion broke off on a broader incomes policy. Also in 1970 a unilateral proposal for wage restraint was forwarded. This was strongly opposed by unions and was terminated at the end of 1970. The common view was these programs had very little impact.[31]

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[26] Eckstein and Brinner, *op. cit.*, pp. 15–17.

[27] Gordon, *op. cit.*, p. 404.

[28] Gordon, *Ibid.*, pp. 408–412.

[29] Barry Bosworth, "Phase II: The U. S. Experiment with an Incomes Policy," *Brookings Papers on Economic Activity* (2:1972), pp. 343–385.

[30] Prices and Incomes Commission, *Inflation, Unemployment and Incomes Policy: Summary Report,* Information Canada, Ottawa, June 1972.

For a semi-voluntary incomes policy to operate effectively, it appears two conditions must be met. First, the public must be convinced that such measures are necessary and that there exists on the part of the government a strong commitment for them to work effectively and equitably. Second, the government, in order to make the public believe the incomes policy will work, must combine them with a program of fiscal and monetary restraint.

In summary, it appears that despite the differences in policy experience, the wage-price behavior in the two countries has been similar enough to be explained by the same model called the Expectations Phillips Curve Model which, while including the main forces at work in the two countries, allows for differences in the parameters which measure the influence of the various inflationary mechanisms.

We would emphasize the tentative nature of the above conclusions. Much work remains to be done at the theoretical, empirical, and institutional levels before modern industrial economies will be able to alleviate on a continuing basis the problem of inflation combined with high unemployment.

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[31] *Ibid.*, p. 51.

Inflation, Unemployment and Incomes Policy

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Any paper with the words inflation, unemployment and incomes policy in the title invites a question about the nature of the trade-off among the three. For example, can the sustainable level of employment be raised by accepting a higher rate of inflation, or can this be accomplished more effectively with the occasional use of incomes policy? Readers of the report of the Prices and Incomes Commission will know that the answer given there was that incomes policy held out more promise than a higher rate of inflation for reducing the average level of unemployment over the years. It was argued in the report, however, that the conditions for the successful use of incomes policy are more stringent than is often recognized.

Before considering the interaction of the three *dramatis personnae* they should each be briefly introduced. It is true that inflation, unemployment and incomes policy have a good deal in common from country to country but there are differences which need to be recognized.

Thus it is important to know that there has been less inflation in both Canada and the United States during the post-war period than in most other countries. For this reason and perhaps because of other factors at work, there has been a tendency for Europeans to develop a different explanation of inflation that many North Americans. For example, among European economists and economic advisers many have held that there is only a weak connection between changes in the level of wage increases and the variations in the state of the labour market which are politically feasible, and thus the rate of inflation is largely determined by institutional and political forces. For many North Americans, the experience of the early 1960's has been recent enough to suggest that our economic and political institutions have not made our economies generally unmanageable without fundamental changes or some permanent form of direct controls.

While relative price stability is more a part of the life experience of North Americans than of that of most people in other parts of the world, it is worth remembering that even in Canada and the United States the age groups now playing a central role in governments, corporations and unions have experienced something like a tripling of the price level during their working lives and are thus not insensitive to the possiblity of a further decline in the value of money. If one thinks of Canadian economic history extending back into the European countries from which most of us came, it is necessary to retrace steps to the sixteenth century to find a comparable experience of irreversible price increases.

While by international standards, post-war price increases have been relatively low in Canada, the opposite has been the case with unemployment. It is of course true that the raw percentage rate of Canadian unemployment needs adjustment before meaningful comparisons can be made with countries other than the United States, but attempts have been made to recalculate unemployment rates for a number of European countries using U.S. concepts. While differences between the Canadian rate and adjusted European rates are less striking than those between the raw estimates, the average Canadian unemployment rate is still high.

How high the rate of unemployment needs to be in order to avoid a rise in the rate of increase of prices and wages would appear to have been a highly controversial question in Canada over the last decade. Eight years ago the Banking and Finance Commission spoke of 4–5%; a few months later the Economic Council of Canada suggested an objective of 3%; two years later the Royal Commission on Taxation talked of 3½%; five years after that the Senate Committee on National Finances recommended 4–4½%; and in 1972 the Prices and Incomes Commission suggested that in the last two economic expansions the conditions for accelerating price and wage increases had developed when the national rate of unemployment was 4½–5%. While there have been real differences in interpreting the evidence and even wider differences among these groups on the weight to be accorded various objectives of policy, the range of opinion is not as great as appears.

The Economic Council, while on occasion using the 3% to evaluate current policy, has held this out as a hope for the future. Indeed, the original staff study by Frank Denton and Sylvia Ostry which yielded the figure of 3% pointed out that the estimation of a minimum unemployment rate had been made without reference to associated price effects.[1] Similarly, the 3½% estimate of the Taxation Commission was hedged with such a variety of qualifications that it is not comparable with the others. It is probably safe to conclude that taking conditions as they are, not as they might be, most people have thought that the range of unemployment consistent with a stable rate of increase of prices and wages was 4–5%, with some hoping that the lower end of the range was possible while others feared that problems would arise close to the top end of the range. In its Ninth Annual Review in November 1972, the Economic Council accepted a 4½% unemployment rate as an interim target for 1975.

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[1] Frank T. Denton and Sylvia Ostry, *An Analysis of Post-War Unemployment*, 1964, p. 21.

Why has the "normal" level of unemployment been so high in Canada? Many of the generalizations which hold for other countries apply here, with higher rates for the young, the unmarried, the unskilled and those employed in industries with sharp swings in demand of a temporary or seasonal nature. One characteristic of Canadian unemployment which stands out more clearly from the record than in most other countries is the sharp regional differentials. Over the course of the last two decades the national average rate of unemployment has been just over 5%. During the same period the rate in Ontario has been something over 3½%, in Quebec over 6½%, in the West around 4%, and in the Atlantic provinces about 8%. In the years 1968 and 1969 when the national average rate of unemployment was about 4¾%, the rate for just over 60% of the Canadian labour force west of the Ottawa River was about 3½%, and for just under 40% to the east of the Ottawa valley was roughly 7%.

As for the third element, incomes policy, Canada was late comer to the field. When the White Paper on the subject was issued in 1968 and the Prices and Incomes Commission established in 1969 there was little direct experience on which to draw. It is true that some work had been done on preparing a program of controls during the Korean War, but the last occasion on which any use had been made of direct intervention in wage and price decisions was during World War II. In many respects the lessons of this experience were a misleading guide to the results of applying incomes policy during a period of economic slack when prices and incomes were failing to respond to current market conditions. Thus it was easy for people to identify the use of controls with the imposition of a constraint on wages and prices below levels which would equilibrate supply and demand curves. Effective controls had earlier led to shortages and rationing and it was easy to envisage the need for an army of bureaucrats to administer a program of controls which would frustrate the play of the market with resulting economic waste and limitations on personal freedom.

Moreover, it could readily be argued that such controls would not prevent a fall in the value of money. Money declines in value as surely when one cannot purchase the desired quantities of goods and services at going prices as when those prices rise. On the other hand, those who thought in terms of less comprehensive and less mandatory forms of intervention had no difficulty in pointing out the problems which would arise from the nature of the Canadian economy, with its openness to external influences and the decentralized character of its governmental, business and labor union institutions.

With the more modest forms of incomes policy widely regarded as likely to be ineffective but with a typical Canadian reluctance to deal with issues of this kind by legal compulsion before other avenues had been explored, the right prescription was not obvious. We, on the Prices and Incomes Commission, had fewer illusions than most on the necessity of a measure of compulsion to ensure adherence to norms of income policy, but it seemed clear that an effort must be made to secure agreement on a set of criteria. There will remain differences of view on what was accomplished, first by the attempt to reach a general agreement, second by the price restraint program of 1970, and third by the wage and salary guideline introduced later as a supplement to the limitation on profit margins. What did happen is that many questions were taken out of the realm of speculation and a good deal was learned about how a workable system of controls could be devised. Thus well before the American initiative of August 1971, there was a fairly well developed set of ideas in Canada on how to set up a system quite similar to that finally adopted in Phase II.

With this brief background, we are now in a position to consider the interaction of inflation, unemployment and incomes policy in the Canadian context. To do this one can begin with the economy at a normal level of unemployment, i.e. a level at which there is no tendency for price and wage increases to accelerate or decelerate. This is not a precise magnitude and was described in the Prices and Incomes Commission Report as the "critical range of unemployment" or the "full employment" level, and estimated to have been in the area of 4½–5% during the economic expansions of the mid-fifties and mid-sixties. This range does not appear to have been shifted in recent years by the changing structure of the Canadian labour force, the low unemployment rates of the rising share of women offsetting the higher rates of the rising share of young people. On the other hand, other factors including the more generous unemployment insurance provisions introduced a year ago appear to have raised the critical range significantly.

We have found it convenient to classify the circumstances producing measurable unemployment at the "full employment" level into a set of categories related to the traditional economic concepts of demand and supply. Thus unemployment can arise from problems on the demand side or the supply side of the market, or from difficulties and delays in bringing demanders and suppliers together.

Unemployment arising on the supply side exists when there are jobs or potential jobs available for which unemployed people are qualified but they do not choose to take these jobs at the wage levels offered. Many of these individuals can show up in the unemployment statistics since they are looking for work in the sense that they would accept a job if the pay exceeded their reservation price.

Search unemployment arises when there exists demanders and suppliers who are willing to complete negotiations at mutually acceptable wages but there are difficulties and delays in bringing them together. These adjustment problems arise primarily from the heterogeneity in labour markets on both sides. The typical job seeker, rather than taking the first job that comes along, will find it to his advantage to take some time to find a reasonably suitable opening. Similarly, the maximizing employer will find it advantageous to wait some time to find qualified employees rather than to raise the going wage immediately to equate demand and supply.

Both of the foregoing types of unemployment have been discussed in the literature on the trade-off. Somewhat less discussed is the phenomenon of "job rationing", that is, a situation in which both employers and employees recognize an observed excess of supply over demand at the going wage, but the employers do not lower the wage, or, more typically today, lower the rate of increase in wages in order to reduce the rate of increase in their costs. In some cases this results from legal or union imposed minima, but in many labour markets these are not crucial.

Such sticky wage policies have important implications for both the level of, and changes in, aggregate employment, output and inflation, and for the kinds of policies which are suitable for dealing with them. We believe that this aspect of the labour market has been underemphasized in the past, and that this stickiness goes far towards making more plausible the role of expectations in determining the nature of the trade-off between unemployment and inflation and the change in such trade-offs and time lags that we appear to observe.

In the labour field we would suppose that expectations would affect union wage bargaining in a fairly clear-cut manner, and their importance would depend upon (and influence) the length of the union contract. But hitherto the role of expectations in the non-union field has had empirical and logical difficulties. Thus it has been argued that both of the first two kinds of unemployment noted above—reservation price unemployment and search unemployment—can be expected to increase when demand is restrained after an inflationary period. This is because employees expect wages and prices will continue to increase, and when they find that wages cease to increase as rapidly, they believe, incorrectly, that they are being offered relatively low real wages. Hence they drop out of the labour force or continue to search. This account implies that the onset of a recession is characterized by declining wages (or rates of increase) and higher quit rates, which are contrary to the facts. Moreover, in modern economies where the state of the economy is subject to so much intense and continuous comment, it does not seem plausible to suppose that workers cannot adjust their expectations to the existence of a recession fairly quickly. But if they did so they would adjust their demands and the recession would cease.

The major features of our analysis of the interrelated questions of inflation, unemployment and incomes policy that differ from many other commentaries is that we believe that in the non-union labour markets employer expectations are particularly important, and that the expectations that are relevant are not expectations about the current or short term state of the labour market but about a considerably longer term. These expectations will increase job rationing unemployment when aggregate demand is restrained after a substantial period of inflation.

If the employer, as part of a long run maximizing policy, wishes to offer wage and job security to a substantial fraction of his labour force, he cannot when demand is restrained cut the rate of wage increase, let alone cut wages. He could only do so if he believed that the current slack is not merely a temporary pause but an historic turning point ushering in a new era of price stability. But the employer (or his employee) is most likely to judge the future by past long run trends, and possibly by observing other wage increases. In this case wages will continue to rise, in part feeding on each other for a long and, in term of output and employment, very costly period if inflation is to be halted by demand tools alone.

In short, we believe that it is the long term nature of employment relationships based on employee security which require predictions of long term future trends. At one time this created sticky wages and now creates sticky wage increases.

In some respects this is an optimistic view of our recent difficulties. It fully accepts the view that excessive demand is the basic driving force behind inflation. While recognizing that there are many imperfections in the markets for both factors and final goods and services, and while recognizing that in some important areas institutional changes in recent years have exacerbated our difficulties, it is not our view that fundamental institutional changes are a *sine qua non* for the achievement of a reasonably stable economy. We take some comfort from the fact that both Professors Tobin and Friedman, who differ sharply on many policy questions, can agree on the logical inadequacy of explanations of inflation which are based on the monopoly power of unions or corporations or both.

On the other hand, we are not as optimistic as those who think that the problem will go away or that it is enough for Canadians to sit quietly and wait for the effects of the stabilization efforts of the United States to flow across the border and solve the problem for us. Nor are we optimistic enough to think that acquiescing in increasingly rapid rates of inflation will provide more than a temporary increase in the level of output and employment.

What then is to be done? Writing over six months ago, the Prices and Incomes Commission pointed out that before long the march of events might well bring serious consideration of a temporary program of controls. It was pointed out, however, that two essential conditions must be satisfied if such a program was to work effectively and be phased out with a minimum risk of a renewed outburst of inflation. The first was that the public must be convinced that such measures were necessary and that there existed on the part of governments a determination to make the controls operate as effectively and as equitably as possible. Second, that price and income controls should only be used as part of a longer term policy aimed at maintaining underlying demand conditions both during and after the control period consistent with the target rates of increase in average price and income levels.

Events have now moved on and some of the uncertainties have been resolved. In particular, the decision to seek an extension of the control system in the United States and the indication of the steps likely to be taken to avoid an overshoot of demand have helped to clarify the external framework within which Canadian economic policy will be formed. The likelihood of a significant and perhaps widening divergence between the rates of increase of costs and prices in the two countries is becoming more apparent and this may soon be reflected in a deepening sense of disquiet among Canadians. It is easy to say that the exchange rate can adjust to a divergence of this kind but the relative stability of the ratio between the two currencies over a period of more than a century indicates that this has not been a course which has had much appeal in the past.

There is some danger that a variety of factors will combine to delay action. The difficulty of interpreting current unemployment statistics may continue to focus attention on the unemployment problem, and this combined with existing political uncertainties may delay the public recognition of the need for action. What cannot be ruled out is that the present economic expansion will in due course bring enough pressure to bear on enough markets to pose a serious threat to a system of controls which has been introduced too late. If this should happen, we shall not only fail to deal with our current problem but leave behind a performance record which will discourage the use of incomes policy in the future.

These comments strike a negative note but if one compares the Canadian inflationary problem with that of most other countries of the world there are clearly no grounds for despair. Thus while one cannot envy those responsible for dealing with our current difficulties, this country has a better chance than most to establish a reasonably stable framework for future economic growth.

DISCUSSION

Arthur Kruger
University of Toronto

I find myself at a disadvantage in commenting on the three papers presented this morning. I received the paper by Professor Estey only two days ago. The other two papers were not made available to me until the session began this morning.

Professor Estey presents an interesting description of the American experience under Phase II of the American Control Programme. His work, however, does not permit us to draw the inference that the slowdown of inflationary pressures in the United States can be ascribed to the Phase II Control Programme. Before this can be established, further research will be required.

I cannot comment on the Zaidi-Siebert paper since it is a very long paper and I have not had adequate time to read it. I note that they share my view that the success of Phase II has yet to be established in order to prove that the slow-down was not "the lagged response of the 1970 recession in the economy." On listening to Professor Zaidi this morning and on glancing through the paper, it would appear that they have done a significant research job and I look forward to seeing the published paper in the near future.

I would like to comment at a somewhat greater length on the paper by Professors John Young and Donald Gordon since it involves the Canadian experience in the last few years. In this paper they point out the limited success with a jaw-bone attack in Canada. A year ago in the land of the Bible I reminded Professor Young that the only known successful experience with a jaw-bone attack occurs in the biblical story of Sampson where the hero is reputed to have killed a thousand Philistines with a jaw-bone of an ass. I would like to think that the reason for Professor Young's failure at the time that he led the Canadian Government attack on inflationary pressures through the use of jaw-boning can be ascribed to the fact that he has the wrong sort of jaw-bone for this task.

In their paper, Gordon and Young indicate that the most serious economic problem in Canada revolves around the enormous regional disparities in unemployment rates and in income in this country. I could not agree more with their view on this question. Nowhere in the paper, however, do they show in what way a successful application of price and wage controls could significantly alleviate the serious regional disparities in unemployment rates of income in this country.

The emphasis that they and others have given to the problem of inflation and to wage and price controls as the central issue of economic policy has, if anything, detracted from the consideration of the more serious regional disparities problem.

In examining the Canadian inflationary experience in recent years, they conclude that the problem results from excess demand and has little to do with monopoly power in product or labour markets. If this is the case, then we are entitled to ask why their proposed solution focuses on wage and price controls rather than on changes in policies affecting aggregate demand.

The discussion in the paper of the rate of downward rigidity in the rate of wage increases is interesting and I would hope the authors explore this further. They might bear in mind the fact that the quality of workers is responsive to market forces and, that if this is considered, the market may be more effective than appears from an examination limited to wage rates or changes in wage rates.

The authors discuss the likelihood of adjusting exchange rates in order to rectify problems created when Canadian price increases exceed those in the United States. They correctly point to the resistance to devaluation. However, in proposing wage and price controls as the alternative, I believe they fail to recognize the extent to which this would prove distateful to Canadians. They have not made a case for the assumption that devaluation would be less popular than controls.

One of my colleagues once remarked that in a country with the sort of regional problems Canada has, the problems to which wage and price controls address themselves are not terribly significant. He went on to suggest that John Young and the Prices and Incomes Commission were attempting to apply a sledge-hammer to a bed bug. My own metaphor was somewhat different on this matter. I would suggest that those who favour wage and price controls in the Canadian context are attempting to drown the bed bug in urine. Professor Young and others have reminded us that for success you have to move quickly and aim with great accuracy. But even if you succeed in drowning the bed bug, one must remember that you are left with a wet bed and long after this problem has been alleviated, the stench remains.

II. DISPUTE SETTLEMENT IN THE PUBLIC SECTOR *

Can We Afford the Rising Costs of Public Sector Settlements?

ARNOLD M. ZACK
Arbitrator, Boston

The general acceptance of public sector bargaining as a peaceful procedure for civil servants attaining equitable compensation in line with private sector advances, has begun to wane as public sector wages begin to bypass those in the private sector[1] with a direct impact on ever-rising local taxes. As employee groups demand increases to protect against inflation on the one hand, governments are also pressured by rising prices in goods and services purchased from the private sector, by cutbacks in federal assistance due to increased military expenditures, and by having reached the practical, and in some cases, the legal limits of their taxing authority.

This collision course between rising employee demands and an ever tightening vice on the employer's ability to fund such settlements, brings into sharp focus the need for evolving new approaches to funding adequate wage settlements in th public sector.

This paper deals with two facets of the problem: first; the development of a more equitable method for determining objective compensation standards; and, second; the means of financing such a standard.

I. An Equitable Standard For Compensation. The standards of proof offered public sector fact finders have switched from comparability data based on superior private sector compensation to comparability data now based largely on the public sector, thus threatening a self-serving spiral of intra- and inter-governmental wage comparisons.

The public sector must still attract competent personnel, retain and reward those who remain within the service, and, at the same time, compare favarably to wages, hours, and working conditions of individuals doing comparable work in the private sector where economic forces of the free market place, including the right to strike and lockout, are presumed to bring about equity in wage determination.

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* The discussion presented in this session by Russell Steward, Treasury Board of Canada, is not included in the published *Proceedings.*

[1] *Comparing Mun. Salaries with Ind. & Fed. Pay,* Sidney H. Perloff, Monthly Labor Review, Oct. 1971, pp. 46–50.

I, for one, believe that government employees are entitled to no less than they would earn, in salary and fringe benefits, if similarly employed in the private sector, and, perhaps, indeed, no more. The public employer cannot meet the moral commitments of his office by expecting his employees to subsidize managerial inefficiency, ingrained and often irrational tradition, and the public reluctance to pay or raise enough of the right type of taxes. Nor can he do so by acceding to pressures for inordinate increases for fear that refusal will lead to a strike, or a tarnished political image.

There have been several suggestions for developing a more rational approach to equitable wage determination than is afforded by current whipsawing, boot-strapping and threat of strike in essential services.

One suggestion has been to negotiate with a government-wide bargaining unit, as in Philadelphia, to minimize the whipsawing that is prevalent when there are multiple internal labor organizations. Another has been to negotiate on a regional basis to eliminate whipsawing among neighboring and "competing" governmental units. Still another has been to handle negotiations on a statewide basis, as in education in Hawaii, perhaps with wage variations for different labor market areas within the state.

A far more comprehensive approach to this problem has been suggested by attempting to inter-relate salaries and the costs of fringe benefits for each classification, to others in the public sector, as well as to comparable classifications in the private sector. This is the approach used by the federal government in the Davis-Bacon Act, and for Tennessee Valley Authority employees, as well as by the Pay Research Bureau of the Canadian Government. In essence, it would apply job evaluation techniques and criteria to the public sector, examining each classification in terms of the elemental components of the job, and then relating the total points for these jobs to comparable jobs in the private sector. Thus, compensation of civil service clerks and typists would be geared to compensation of clerks and typists in the private sector, while compensation of school administrators might be geared to that of certain corporation executives. Jobs which are comparable in both sectors could be used as benchmark jobs to which other, less transferable jobs could be compared. Computer technology could readily facilitate the comparisons. Equally pertinent skills and experience would thus be equitably rewarded in both the private and public sectors, and comparisons would include fringe benefits, hours, pension rights, etc. This, in essence, would take public sector wage determination out of collective bargaining and make public sector wage levels a function of wage settlements in the free labor market. Annual changes to reflect increased productivity or increases in the cost of living could be negotiated or programmed into the effort.

The development of the structure itself, the job evaluations, the determination of appropriate private sector comparisons, and the public sector salary relationships would all be matters of joint development through negotiation, even though success in the effort might well cost the jobs of some negotiators on both sides. Thereafter, the introduction of new jobs as well as changes in job content would be subject to negotiation or arbitration, as in the private sector. As considered herein, the project would be confined to economic issues, leaving non-economic issues to perennial bargaining as in the past.

II. Funding Abilities. Even if it were possible to develop a rational approach to equitable wage and fringe benefit determination, acceptable to the parties involved, we are still confronted with the ever constricting problems of funding. Where are even willing employers to obtain the necessary money? Too often, there is just not enough money to fund settlements, to maintain past fringe benefit commitments, to provide equipment and supplies, to hire adequate staff, and to provide suitable work places.

Local governments continue on a hand-to-mouth basis, dreading the impact of that round of negotiations which will force them into bankruptcy. How often we hear the lament, with increasing sincerity and truth, that there is only enough money to provide service until a certain date, at which time the government program must close its doors.

The cost pressures and tax limitations are so oppressive as to threaten the very structure of our local government system, and certainly, local collective bargaining as we have known it in the public sector.

We have all probably heard of the California Supreme Court case of *Serrano Vs. Priest*[2] which held that a state school system funded by local property taxes causes a denial of a fundamental constitutional right to education to those in poor school districts, constituting a violation of the equal protection clause of the Fourteenth Amendment. The same principle enunciated in that case is currently being considered by the Supreme Court in *Rodrigues Vs. San Antonio Independent School District*[3] and a companion case, appealing a lower court decision ordering the merger of urban and suburban school districts in Richmond (School Board of Richmond Vs. State Board of Education). A number of similar cases have been filed in about 25 state courts throughout the country.

If the Court endorses the concept that a state cannot establish economically discriminatory school districts, we will be faced with absolute chaos in public sector collective bargaining. More extensive and more expensive equalization formulae, state control of educational funding, including determination of salaries, or, at the very least, amalgamation of fewer new, but larger, "equal" school districts, will occur. And if the right to education justifies such radical treatment, can't the same argument be made for the right to equal police and fire protection, and perhaps even adequate local government services? Merger of districts, merger of bargaining units, mergers of employee organizations, must all flow from this with the resulting economies of scale.

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[2] 5 California, 3rd, p. 584

In short, if the state or U.S. Supreme Courts accept these doctrines, local public sector collective bargaining as we have known it is at an end.

At the same time the advent of federal revenue sharing raises the likelihood of greater restrictions on fund expenditures as a condition for assistance at the local level. These pressures point strongly toward state centralization of authority and funding for adequate provision of, at least for now, education for our communities.

A number of states have undertaken studies of alternative funding arrangements to relieve impoverished localities of the funding millstone, and to pave the way for potential reformation dictated by court orders.

In New York State, the Board of Regents has recommended that wealthy school districts be prohibited from raising their school expenditures above a certain level, making available more money for poorer local districts.[4]

The Fleishman Commission, a few weeks earlier, recommended that the state assume responsibility for raising and distributing all school funds, with collective bargaining to be conducted at the state rather than the local level, and regional salary scales to reflect the differences in living costs.[5]

Even if the federal and state governments do not of their own volition, or in compliance with court orders, completely deprive the local governments of bargaining authority, it is clear that their increased involvement in funding is here to stay. Both state and federal governments are assured to be ever more evident "ghosts at the bargaining table," to make sure that the cheapest bargain is struck for most economical utilization of available funds. This is particularly relevant when a settlement may be a reflection of the power to strike, or the range of neighboring settlements, rather than the financial resources of the employer. This not-so-ghostly presence is quite likely to open another level of "negotiations" or, more realistically, political pressure, as employee organizations open their guns at state authorities to assure development of the most liberal criteria for local compensation.

The prognosis for these shifts of power is not clear or certain, but

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[3] 337, f 280

[4] *New York Times*, Sunday, November 19, 1972, Sec. 4, page 7

[5] *New York Times*, Thurs., Oct. 19, 1972, page 42

they reflect growing concern over the deficiencies of current local autonomy. Whether or not the locus of power shifts, it is evident that pressure will increase for more mileage from the available dollar. Although it may not be possible or desirable to deter state control by demonstration of local willingness to exercise greater economy, there are several alternative proposals for self-help which might be considered to stretch the available dollars at the local level.

FIRST, public management must be streamlined with compensation based upon skills performed rather than a percentage of bargaining unit wage settlements. Too often, public sector organization charts reveal a top-heavy system with supervisory personnel way out of proportion compared to the number of persons being supervised. Although similar problems occur in the private sector, we would hope for higher standards in public employment. The inefficient practice of "kicking upstairs," rewarding service with promotion, proliferating administrators to fill empty slots, and retaining inefficient personnel because of tenure, add an unnecessary burden to the taxpayer and exclude the attraction of more dynamic and aggressive managers. The Peter Principle that "in a hierarchy every employee tends to rise to his level of incompetence," has a good deal of applicability to some of our local administrators.

SECOND, wage progression through negotiation must replace the incremental salary structure which maldistributes inadequate available funds. The rewarding of lengthening service by automatic step increases as in public education, is an anachronistic hangover from the days of benevolent employerism preceding collective bargaining. The consequence of perpetuating the present system in education is allocation of the lion's share of available funds to those with the greatest service, while providing a competitive starting salary. Is an elementary teacher with an MA and 20 years of service really worth two BA teachers with 2 or 3 years in the school system? Should a teacher at the next-to-top step get a salary increase and incremental step amounting to $1,000 while a teacher at the top step, with greater seniority and exhausted increments gets only $400? Does the payment of an added stipend for 15, 30, or 45 extra credits stimulate movement toward an advanced degree, or provide a higher threshold of satisfaction and deter movement toward that degree? Does automatic movement up the incremental ladder bear an acceptable correlation with better teacher performance? These questions deserve careful study. Minimal effort, if any, is made to phase out these inequities as negotiators for both sides pay homage to the anachronism, while wringing their hands in realization that it is a deterrent to equitable compensation of employees within limited funds. Exorcising every other step, elimination of alternate columns, red-circling employees at higher steps, removing the hiring rate from negotiations and other suggestions fall on deaf ears.

THIRD, private sector standards of removal from employment for just cause should be extended to the public sector in lieu of the present government controlled constraints of civil service tenure.

In the unionized private sector it is accepted that the employer has the right to terminate an employee for just cause and that such action is subject to review by a mutually-designated neutral. Yet public sector employers resist the system which has worked so well in the private sector while failing to utilize the full rights of severance under that same system. Acceptance by the employer of binding arbitration on questions of termination with a standard of just cause would improve the standard of public performance and encourage upward movement of employees while protecting against unjust employer actions.

The qualification date for securing rights of protection should be reduced from the current three years found in public education. Bargaining should be concentrated on those with three years or more experience, leaving rates for the 1st and 2nd years to fluctuate with the conditions of supply and demand.

FOURTH, unions must recognize that negotiating standards for those outside the bargaining unit, reduces the availability of funds for their own compensation. Elimination of fixed rates for new employees, reduced insistence on fixed numbers of aides, etc., would increase the available funds for the compensation demands of bargaining unit members.

FIFTH, the parties must negotiate fringe benefits with more attention to the long range cost thereof. They must resist the temptation to grant low-cost fringe benefits which mushroom into overbearing costs for subsequent administrations and result in reduced funds available for salaries.

SIXTH, Care should be taken to avoid duplication of benefits traditionally mandated by state legislation prior to collective bargaining and now negotiated locally as well. The mistaken belief that local benefits are "free" because a substantial portion of the cost is borne by the state, results in imposing excessive costs on the state in an era when states are increasingly economically poor. If the locality is to negotiate such benefits, it should also bear the cost to make such negotiations more realistic. Alternatively, the negotiations should be removed entirely from local control.

Given the time and devotion of the parties and the restraint of higher government, the foregoing suggestions for achieving economics in compensation might permit more realistic funding of equitable salary structures. Local employers and employee organizations must recognize the inadequacies and temporal nature of our present structures, and undertake self-help. To date, they show little inclination to abandon the course that has, in large measure, given birth to the crisis, and which may, in the end, lead to their destruction.

The U.S. Cities Tackle Impasses

SAM ZAGORIA

Labor-Management Relations Service
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U.S. Conference of Mayors
National Association of Counties

Somehow whenever the subject of collective bargaining in the public sector comes up among people the topics of impasses and strikes are not far behind. If it is the unknowing, it is usually because that is about all they have read or heard about the process. If it is the knowing, it is because this is the bone on which experts gnaw and gnaw, hoping that in the process some little piece of meat previously unexplored can provide a better answer to the problem: How to develop effective collective bargaining in the public sector without removing the prohibition against striking?

In my view this situation is unfortunate—first because it warps the whole process out of perspective and second because it leads to the staking out of some drastic positions and tends to make thoughtful men and women arbitrary instead of mediatory, as is their usual style.

A few years ago, one of our learned colleagues, Prof. Robert Stutz of the University of Connecticut, reported that after studying the history of 15,700 municipal collective bargaining negotiations in Wisconsin, Connecticut, Massachusetts, Michigan and New York (all highly industrialized, labor-experienced states), he found that 98.7 percent wound up in agreements. The remainder—only 1.3 percent—resulted in strikes. While additional data from other states and other periods would be welcome, Bob's study does suggest to me that care be taken in adopting remedies for the less than two failures in a hundred, lest somehow we discourage and despoil the successful bargaining process in the other 98. There are always those who fail to appreciate the value of the admittedly long and weary bargaining process in dealing with the sores and irritations of the working relationship and would prefer some quicker, easier miracle medication. They would choose instant birth of a contract and would happily forego the nine months of labor, or whatever the gestation period involved in the normal giving and taking process.

It is the purpose of this paper to make a contribution to the several prescriptions for resolving impasses already extant, but I offer it with several qualifications: It is not a cure-all; I recognize it has its faults; it is not presented as a finished product but hopefully to stimulate thinking; it does not represent the views of the Labor-Management Relations Service nor its three sponsoring organizations. In short, it may be puny, but 'tis mine own.

Let us first look at the techniques already available. *Mediation* has proven itself over and over again, particularly in the public sector where employers, accustomed to unilaterally setting wages, hours and conditions of employment are going through the trauma of meeting employee representatives at the bargaining table under conditions less reminiscent of a placid Labor Day picnic than of a Mid-Western hog-calling contest and where employees, with years and years of bottled up indignities and injustices now unloosed, reach for varied moons and a handful of stars. A mediator often finds himself educating, rather than mediating, getting across the notion that each side's statement of proposals in a total hour and a half session is not really reaching an impasse.

Then we have *fact-finding*, which still preserves the options of each side to accept or reject proposals, and which begins to bring the public into the closed door bargaining process. The latter feature, incidentally, is not an inconsequential one for there is a growing suspicion that somehow these private bargains, this carving up of the public's pie by the public employer and the public union in sequestered chambers, may be at the price of the public interest. New York State's governor, Nelson Rockefeller, recently directed the New York State Public Employment Relations Board to study the feasibility of "goldfish bowl" bargaining. The Board after consultation with many practitioners, including me, advised against it.

Then we have *binding arbitration* of contract terms, a process relatively unknown in the private sector because neither corporation nor union want to give up their final say on matters of such far-reaching impact. In the public sector, it has been enacted by a few cities, three I believe, and by ten states, but largely limited to policemen and firemen. In a few cases, the process has been further limited by permitting arbitrators to select only from among "last offers." While this is a relatively untried "twist," arbitrators in Indianapolis, Ind., Vallejo, Calif., and Eugene, Ore. have complained about its constraints in their efforts to find equitable solutions to the disagreements before them.

Arbitration has a major advantage—finality—a feature with greater appeal to state legislators concerned with keeping services rolling and constituents contented than to municipal officials who have those concerns plus the crucial one of paying off on the mandatory, priority awards. Many local governments have complained that awards are primarily concerned with the particular group of employees whose disagreement is pending before them and less concerned with the economic impact on the community or the "ripple" effects on other groups of employees. There have been some unhappy situations where arbitration–forced payment to workers in one bargaining unit has been at the price of a reduction in force in another unit or postponement of other essential public programs or construction. The result, elected officials complain, is that public priorities are thereby being juggled by "outsiders," unchosen by the citizenry, and whose responsibility ends with the submission of their bill for services rendered. Other objections are that the process has diminished actual bargaining and that the implicit and explicit assurance that an award will mean "no strike" has been violated on occasion.

With this view of the alternatives available in municipal impasses, I believe the need is to find a way to advance the fact-finding process in the direction of finality under these conditions: Retaining the maximum possible control over the end-result by the parties; making the process less attractive than the normal procedure of collective bargaining and yet moderating conflict and providing for fairness as determined by the standards of the community involved.

Let us start with New York State's provision in the Taylor Law amendments for legislative hearings in those situations where mediation and fact-finding have failed to bring about agreement. The process provides an opportunity for both sides to get their complaints off their chests in public but also requires them to provide the public with a rational argument against acceptance of the fact-finder's recommendation. By placing upon the affected legislative body the responsibility it forces legislators–City Council, Board of Education or County Commissioners–to come face to face with the issues publicly rather than curled up behind the robes of their negotiator. It provides a chance for citizen organizations to become aware of the issues and the depth of feeling surrounding them, to recognize the dangers implicit in failure to agree and to formulate such responses as their attitudes and circumstances dictate.

A study by the New York State Public Employment Board of 1970 and 1971 experience in legislative hearings in school district bargaining impasses showed agreements were reached in 94 out of 103 cases; "legislative hearings brought deadlocked parties together and were responsible for eliciting more conciliatory proposals from both sides. Over 75 percent of the hearings prompted further negotiations, and negotiations continued after the legislative decision in over 60 percent of the cases where a decision was rendered . . . Over 90 percent of the legislative hearing cases (95 percent of the teacher cases) ended in written negotiated agreements."

Such results are promising. Why then has the procedure not received more attention and support? The main reason, I am told, is that the unions and employee associations have considered the legislative hearing a "fake," simply taking the employer away from the deadlocked bargaining table and elevating him to the convenor and decider of the legislative hearing.

What suggestion can be made to meet this objection? If the right to strike were legalized that would be one way for the union to appeal over the head of the reluctant public employer and bring the public forcefully into the dispute by withholding municipal services. Now assuming that the state does not want to lift the strike prohibition, what substitute can be offered that would provide the same opportunity conceptually?

I suggest giving either party by law the right to take the contested issue to public referendum, hitching the fact-finder's recommendation on the next regular or special election ballot—whether it is for choice of municipal officials, a decision on bond issues, selection of state officials or similar public referendum. I suggest making the terms of the fact-finder's recommendation retroactive so that neither side is prejudiced by the referendum delay. In effect, the issue would be taken to the citizens of the community, the ultimate public employer, for them to decide whether they want to supersede the instructions implicit in their earlier election of municipal officials by giving them newer directives based on the issue before them. It might be desirable, if the issue involved economic issues, to put into effect immediately as much of the pay and benefits as both sides had agreed upon and leave the amount in contention for the referendum process.

For the unions and employee associations this procedure would have some benefits and many weaknesses—it would provide a terminal procedure without the pain, anguish and illegality of the strike; it would provide a chance to appeal directly (not as translated by public employer representatives) to the conscience of the community by making as good a case for the union position as is possible; it would delay new terms and conditions, even with the retroactivity feature, but for negotiations to go beyond contract termination dates for a year or more is not unique in the public sector; it would require mounting an educational campaign, but then preparing a case before an arbitrator can also be expense and in the case of fact-finding, much of the material can be reused in the public contest; it would permit the mobilizing of other prolabor sentiment in the community for the referendum effort.

For the city officials it would provide an avenue for resolving a dispute without a strike or arbitration; it would give them a chance to remind residents that improvements in wages and benefits come at the cost of higher or new taxes and fees; on the other hand, it would cost money to add this issue to the election process and to explain the public employer position and would complicate budgeting by adding an uncertainty to the personnel cost ledger until referendum results were tabulated.

While the procedure would be open to either party in the impasse—public union or public employer—my guess is that public bodies generally would be likely to accept third-party recommendations simply because they are public bodies (the New York City experience would support this), so that mostly it would be the union taking the issue to the townspeople. If the union is rejecting the fact-finder recommendation as inadequate, a union victory at the polls would be a directive to the city to up the ante in further negotiations; if the union accepts the recommendation, and the city doesn't, a win would require the city to sign the agreement on the fact-finder's terms.

In testing this approach on several interested parties, I have received some varied responses. One labor lawyer predicted the union would lose every issue on the theory that the public doesn't vote new tax burdens on itself. On the other hand bond issues have been passed; candidates proposing new programs have been elected and officials responsible for tax levies have been re-elected and occasionally promoted. Another observer predicted unions, particularly those representing policemen and firemen, the "glamour boys" of local government, would win "hands down." They have the "time to campaign and the experience in politics," but of course, this is also true of their impact on the city negotiating process. If their advantage is so clear-cut the contested issue logically should not have reached impasse.

Other observers questioned whether impasse issues could be simplified sufficiently for a brief referendum proposition. Since by far the major hang-up in negotiations is money, this should be relatively easy to clarify for the public. In other issues, the ballot proposition may be briefed and the educational campaign preceding the voting be the occasion to put flesh on the bare bones of the proposition.

The referendum route is not a perfect solution to municipal impasses. It has handicaps of delay, cost and assures something short of finality, although it comes close. On the other hand, if it had the virtues of equity, speed and absolute finality, it would inevitably push collective bargaining into the ash can. Too few inexperienced people recognize the value of both sides sitting down, face to face, discussing their problems in frank and blunt fashion and hammering out a mutually acceptable resolution of them. This is the bedrock of collective bargaining and has proven itself a useful tool of democracy in the workplace. While it requires time and patience, it does permit both sides to shape an agreement rather than accommodating to one handed down from the arbitrator's dais.

Interestingly, after I had started putting together some thoughts for this paper I was informed that in the city of Englewood, Colo., a suburb of Denver, a proposal along these lines had already been formulated and subsequently was approved by the electorate in November. I know of little experience in resolving impasses this way although the referendum route has long been used in communities to resolve difficult issues ranging from complicated legislative redistricting to authorizing expensive financing of new buildings and many look on it as the closest approach to the old-time tradition of the New England town meeting where every citizen had a chance to have his say directly on matters of public policy.

As Prof. Cyrus Smythe of the University of Minnesota has commented, "The results of bargaining or lack of results is the public's business. . . The final test in the public sector is acceptability to the public where negotiations break down." A referendum, where other impasse-resolving procedures prove unavailing, could provide this in a method entirely consistent with the ideals of democratic government.

Dispute Settlement in the Public Sector: The Canadian Scene

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The traditional resistance of governments to collective bargaining for their own employees dies hard in the United States although it has been eroded considerably in recent years. In Canada, on the other hand, it has virtually been eliminated. The majority of Canadian workers in public services are covered by comprehensive bargaining legislation and enjoy formal recognition procedures. Strikes over recognition disputes are prohibited in all jurisdictions. So are strikes over rights disputes which must be settled by binding arbitration. Most public service employees in Canada enjoy a formalized bargaining relationship with their employers and many enjoy the legal right to withdraw their services over an impasse in negotiations. Where the right to strike over interest disputes does not exist, there is the substitute of third party arbitration.

Labour Legislation and the Public Sector

Municipal employees apart from police and firemen have been governed for many years by the same provincial labour laws as workers in the private sector; this has given them a virtually blanket right to strike. Unions of police and firemen with few exceptions have either accepted binding arbitration under their own constitutions or had it imposed by the law. While some provinces deny the right to strike to teachers and hospital workers, others allow these occupational groups, like municipal employees, to bargain under general labour legislation without any particular restrictions.

Publicly owned enterprises in the federal jurisdiction and most of the provinces are also covered by general labour legislation, as are many government agencies. Thus workers in sectors such as railways, airlines, longshoring and broadcasting at the federal level and those employed by hydro electric commissions, liquor boards, etc., at the provincial level enjoy the collective bargaining rights that are available to workers in the private sector, including the right to strike. Special legislation has sometimes been introduced to end a particular strike on grounds of damage to the public interest but such occasions have been rare. Nevertheless, they serve as an important reminder that parliament can override the provisions of existing statutes to meet particular circumstances.

Provisions for Finality at the Senior Levels of Government

The debate in Canada on public sector bargaining and particularly on the procedure for the settlement of disputes is currently focussed on the areas of public employment in which a senior level of government is a party to the bargaining relationship. Apart from Saskatchewan where government employees have been covered by general labour legislation since 1944,[1] real collective bargaining for federal or provincial civil servants has existed for less than a decade. In 1965 the government of Quebec took the lead over the other provinces and the Federal government in granting full collective bargaining rights, including the right to strike, to employees in the civil service.[2] The Federal government followed in 1967[3] and New Brunswick in 1968.[4] While these are still the only jurisdictions in which governments permit their employees to strike, all the other provinces have either formally relinquished their power to impose a settlement or are just on the point of doing so.

The public service legislation in Alberta,[5] Manitoba,[6] Ontario[7] and Nova Scotia[8] presently provides for third party arbitration of unresolved disputes but Manitoba plans to extend the right to strike to civil servants within the coming year. While the Newfoundland statute[9] contains a provision for collective bargaining, including the right to strike, the Cabinet can make regulations exempting any group from this provision and can also forbid or terminate any strike by declaring that an emergency exists. However changes may be expected soon. A recent commision of inquiry recommended compulsory arbitration of unresolved disputes for the first two rounds of negotiations in the civil service with the strike option on the Federal pattern after this preliminary experience with bargaining.

British Columbia[10] and Prince Edward Island[11] have until now only had a consultative relationship between the government and the civil service associations. However, the government of Prince Edward Island has just agreed on collective bargaining procedures for civil servants, with compulsory arbitration of unresolved interest disputes. With the election of a New Democratic government in British Columbia in August of this year, liberalized legislation for public employees, most likely including the right to strike, may not be far away.

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[1] Trade Union Act, R.S.S. 1965, c.287.

[2] Civil Service Act, S.Q. 1965, c. 14.

[3] The Public Service Staff Relations Act, S.C. 1967, c.72.

[4] Public Service Labour Relations Act, S.N.B. 1968, c.88.

[5] The Public Service Act, R.S.A. 1970 c.298.

[6] Civil Service Act, R.S.M. 1970 c.110.

[7] Crown Employees Collective Bargaining Act, Bill 105, Ontario 1972.

[8] Joint Council Act, R.S.N.S. 1967, c.35.

[9] Public Service (Collective Bargaining) Act, S.Nfld. 1970, c.85.

[10] Civil Service Act, R.S.B.C. 1960, c.56, consolidated 1971, c.56.

[11] Civil Service Act, S.P.E.I. 1962, c.5.

Impasse Procedures with the Right to Strike

While three provinces and the Federal government grant the right to strike to their own employees, each requires a different procedure before a legal strike may take place.

Saskatchewan. Saskatchewan is the only jurisdiction that makes no statutory distinction between labour relations in the private and public sectors. The Trade Union Act does not provide for compulsory arbitration of interest disputes in any sector of employment. However, it does allow for voluntary arbitration and provides machinery for conciliation. There have only been four instances of conciliation over the years and the government has implemented the recommendations of the conciliation board each time. Although the legislation permits conciliation boards to function as arbitration boards by written consent of the parties before the hearing commences, this has never been done. The emphasis in Saskatchewan has been on negotiation between the parties and public service labour relations have been remarkably peaceful.

Quebec. The Quebec Labour Code of 1964[12] gave the right to strike to all employees under its jurisdiction apart from police and firemen. A year later the Civil Service Act extended most of the provisions of the Labour Code, including the right to strike, to employees of the provincial government. However the Quebec legislation, in contrast to Saskatchewan, makes certain distinctions between the private and public sectors.

In addition to the conciliation delays required of all workers under the Labour Code, Article 99 requires eight days' notice of intention to strike by public employees and provides for an eighty-day suspension of the right to strike when, in the opinion of the Lieutenant-Governor in Council, "a threatened or actual strike in a public service endangers public health or safety" or "interferes with the education of a group of students." This delay is achieved by the appointment of a board of inquiry which must report on its findings within sixty days. Upon the establishment of a board of inquiry, the Attorney-General may petition a Superior Court judge for an injunction to prevent or terminate a strike if he (the judge) finds that it imperils public health and safety or the education of a group of students. The injunction may continue for twenty days after the sixty-day period in which the board of inquiry is required to report. The union then acquires the legal right to strike; no further injunction is permitted.

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[12] R.S.Q. 1964, c. 141.

In addition to the above delays on strike action by all employees in public services, government employees are also forbidden to strike, under Article 70 of the Civil Service Act.

> . . . . . unless the essential services and the manner of maintaining them are determined by prior agreement between the parties or by decision of the Quebec Labour Relations Board.

Finally it should be noted that Quebec differs from the other jurisdictions by making no provision for arbitration. It will not permit a third party to decide the wage bill in the public sector.

The Quebec experience has shown that the provisions of a law are only effective to the extent that they can be enforced. A strike by civil service professionals in 1966 was technically illegal as the unions did not go through the prescribed conciliation delays. They questioned the legitimacy of a procedure in which the Minister charged with appointing a conciliator was, in effect, also a party to the dispute. Hospital employees ignored court orders to return to work during a general public service strike last April. There had been no agreement on the maintenance of "essential services" before this strike began.

It is important to realize that the negotiations that culminated in the general public service strike had a political dimension that went beyond the conventional issues, and tactics, of a labour-management dispute. While the formal union demands were based on wages, working conditions and job security, the bargaining from the outset took the form of a political confrontation between the union leaders and the government. The strike was legal in that the unions had observed the compulsory delays and given the required notice. On the other hand, their failure to agree on the maintenance of essential services, and the ignoring of the injunctions to assure these services, were clearly in defiance of the law. Special legislation was passed to force the public service unions back to work.[13] This legislation suspended the right to strike rather than revoke it permanently. It provided for a contract imposed by government decree if negotiations did not produce a settlement within a two-month period. The orginal deadline for a negotiated settlement was subsequently extended and a four-year agreement was eventually signed by all major groups but the teachers. The teachers' contract was imposed by decree.

The Quebec government is now considering new legislation to apply to the public sector. This legislation will not proscribe the right to strike as such but will make special provision for the maintenance of essential services.

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[13] Bill 19, April 21, 1972. An Act to ensure resumption of services in the Public Sector.

The Federal Public Services. When the Federal government extended collective bargaining rights to its own employees, it introduced a novel procedure under which a bargaining agent must choose between alternative methods of dispute settlement before negotiations can begin. It also established a permanent tripartite body, the Public Service Staff Relations Board (PSSRB), to administer the machinery for dispute settlement in addition to performing responsibilities with respect to certification, the referral of grievances to adjudication, etc. The independent character of this Board avoids the conflict of interest situations that can occur when a government that is itself a party to a dispute appoints the conciliator or arbitrator.

An employee organization must specify its choice of dispute resolution procedure before serving notice to bargain but is free to change its choice for the next round of negotiations. Two options are available:

a) referral of a dispute to arbitration,

or

b) referral of a dispute to a conciliation board.

Whichever option is chosen, conciliation officers may be named to assist the parties to reach agreement prior to the ultimate step in the process. Where the conciliation board route has been specified either party may request the appointment of such a board when negotiations reach an impasse. The power to establish a conciliation board is vested in the Chairman of the Public Service Staff Relations Board. If a conciliation board fails to effect a settlement, it must present a report of its findings and recommendations. The recommendations are not binding and the union acquires the right to strike seven days after a report is submitted. However, some employees in a bargaining unit that has a legal right to strike may still be prohibited from withdrawing their services. The Public Service Staff Relations Act (PSSRA) provides for the maintenance of services that are regarded as essential for the safety or security of the public. For this purpose, the employer must submit a list of "designated employees" to remain on the job in the event of a strike but if the bargaining agent objects to the list, the determination is made by the PSSRB. Negotiations cannot begin before agreement has been reached on the list of designated employees.

Where the bargaining agent has opted for arbitration rather than the right to strike, either party may refer a deadlocked dispute to the Public Service Arbitration Tribunal. This is a permanent body, in contrast to the conciliation boards which are appointed on an *ad hoc* basis. A neutral chairman is appointed by the Governor in Council on the recommendation of the PSSRB. Two panels of members, representative of the interests of employer and employees respectively, are appointed by the Board. On each reference to arbitration, the Tribunal consists of the chairman and one member representative of the interests of the employer and one member representative of the interests of the employees, the representative members being selected by the Chairman of the PSSRB from the members of the respective panels. Awards are final and binding.

The Arbitration Tribunal may deal with rates of pay, hours of work, leave entitlements, standards of discipline and other terms and conditions of employment directly related thereto. But no arbitral award may deal with the standards, procedures or processes governing the appointment, appraisal, promotion, demotion, transfer, lay-off or release of employees. It has been suggested that the arbitration route could be made a more attractive alternative to the right to strike if the scope of the arbitrable issues were broadened. Many issues that can be settled by conciliation and strikes are presently not subject to arbitration.

Of the 81 certified bargaining units of civil service employees, only 18 have chosen the conciliation board option. One hundred and ninety-two collective agreements were negotiated for employees of government departments without resort to strike or arbitration during the period March 13, 1967 to October 31, 1972. There were five strikes in this period, of which four had considerable public impact. Two were by postal workers (1968 and 1970) who, it should be noted, had already gone on strike (1965) before there was a law allowing it. The two other strikes causing serious public inconvenience involved air traffic controllers and electronic technicians, both in 1972. A one week strike by the ship repair group (1971) had no national impact. The right to strike under the PSSRA has clearly not ground the Federal public service to a halt.

Although the vast majority of bargaining units have opted for the arbitration route, only 30 disputes were settled by arbitration in the period noted above. The small proportion of arbitral awards compared with negotiated settlements indicates that the availability of arbitration has not seriously undermined the bargaining process. This result may well be related to the voluntary aspect of arbitration under the PSSRA. In Ontario, with compulsory arbitration of unresolved disputes, the figures are significantly different. Of the 16 sets of negotiations that have taken place since 1965, when collective bargaining for civil servants began, only four were settled directly by the parties, another five at the mediation stage and the remainder, nearly 50 percent, went the whole route to arbitration.

New Brunswick. New Brunswick granted the right to strike to employees in public services within a year of the Federal government. Like the Federal statute, the New Brunswick Act provides separate machinery, the Public Service Labour Relations Board (PSLRB), to administer labour relations in the public services. It also gives public service employees the alternative of conciliation or arbitration when negotiations reach an impasse. However, whereas the Federal act requires the bargaining agent to choose between conciliation and arbitration prior to commencing negotiations, this decision may be taken at any time in New Brunswick and may actually be changed as negotiations proceed.

There is a forty-five day statutory time limit on public sector negotiations—unless the parties agree otherwise. The Chairman of the PSLRB *may* appoint a conciliator to assist in the negotiations if asked to do so by either of the parties. However, if it appears to him that the parties are not likely to reach agreement he must appoint a conciliation board within fifteen days of the statutory, or agreed upon, time limit on the bargaining. As is the case at the Federal level, the establishment of a conciliation board, though compulsory in New Brunswick, cannot take place before the parties have agreed on, or the PSLRB has determined, a list of "designated" employees for the maintenance of essential services.

A conciliation board must submit a report to the Chairman of the PSLRB if it fails to effect a settlement but if the parties do not settle following the report they are still not free to strike. At this stage, either party may request the Chairman of the PSLRB to declare that a "deadlock" exists. If he is satisfied that the required conciliation procedures have been observed, the Chairman declares a deadlock and asks the parties if they are prepared to submit the dispute to arbitration. The Act provides for an Arbitration Tribunal on the federal model. If either party rejects arbitration, the union is free to conduct a strike vote. A majority vote in the affirmative gives the union the legal right to strike. Should a majority vote against a strike the Chairman of the PSLRB orders the parties to resume negotiations for a period of twenty-one days after which, if agreement has not been reached, either party may again request the Chairman to declare that a deadlock exists. The process continues to repeat itself until the parties either reach a negotiated settlement, agree to submit to arbitration, or the bargaining agent secures a majority strike vote after which a legal work stoppage may take place. There has only been one instance in practice in which a deadlock has been declared but the machinery for taking a strike vote was not employed. The parties agreed to delay such action and returned to the bargaining table where an agreement was reached.

The Policy Dilemma

The Right to Strike. While the right to strike remains the most contentious issue in public sector labour relations, Canadian as well as American experience shows that strikes can and will occur even when forbidden by law. Thus to withdraw the right to strike where it presently exists or even to refuse it where it has not yet been granted will not necessarily solve the problem. The problem of enforceability must not be forgotten when legislation is being considered.

The Protection of Essential Services. As it may be difficult, or even unfair, to deprive a majority of workers in public services of rights that are available in the private sector, the most crucial question facing the policy makers becomes the definition of "essential services" and the guarantee that these will be maintained. Although provisions already exist in Quebec, New Brunswick and at the Federal level to assure that essential services will be maintained in the event of a legal strike, the defiance of these provisions during the public sector strike in Quebec and also by electronic technicians in the Federal service shows that present statutory penalties for non-compliance are not a deterrent if workers are sufficiently determined to defy them. On the basis of this experience it would seem logical to strengthen the penalties for non-compliance. Unless the problem of enforceability is satisfactorily resolved, and it is unlikely that it can be entirely, *ad hoc* legislative measures, appropriate to particular circumstances, always remain a possibility. The elected representatives of the people have the ultimate power, and responsibility, to respond to a threat to the public welfare.

DISCUSSION

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I think that the papers which have been presented here this morning have very well circumscribed the delicate issue of dispute settlement in the public sector. It was quite reassuring to hear all speakers place their confidence in the process of collective bargaining at a time when too many prophets are making suggestions for radical changes that would deprive the parties of their rights and responsibilities.

Mr. Zagoria clearly identified a crucial problem when he mentioned that lack of finality was unfortunately the characteristic of most impasse resolution procedures where legislation does not provide for either compulsory arbitration or the right to strike. Even if in Canada we are not familiar with the fact-finding procedure, I am in complete agreement with his affirmation to the effect that, where such a procedure exists, the process of fact-finding should be advanced in the direction of finality without depriving the parties of the maximum possible control over the end-result of collective bargaining.

Given that the unions have considered the legislative hearing a "fake" by taking the employer away from the bargaining table and elevating him to a position where he can decide unilaterally, Mr. Zagoria proposes a referendum type of procedure which, in my opinion, would be even more difficult for the unions to accept. Obviously, there are some advantages in placing the fact finders' recommendations on the next regular or special election ballot, mostly in the United States where a "long" ballot already exists: on the one hand, it introduces some kind of finality since elected officials would have no other choice than follow the community's will. On the other hand, it is certainly a method of resolving impasses which is quite consistent with the ideals of democratic government. However, I see at least four major shortcomings in the referendum procedure. First, this procedure does not take into consideration the lack of expertise of the population in appreciating the highly complex issues that are the subject matters of collective bargaining. There will be a tendency by the people to judge the pending contract negotiations only in financial terms and, more precisely, in terms of the possible increase in taxes resulting from the agreement. As a consequence, this is a built-in bias against the employees involved since the taxpayers always want to keep the tax rate or the tax base at the lowest possible level. For these two reasons, I would be quite surprised to find a union that would accept the playing of such a game. A third problem resulting from the referendum procedure would be a disruption of the power balance between the parties. While some municipal unions enjoy considerable lobbying strength for the benefit of their members, the introduction of a referendum would probably weaken these unions. This may be a good thing for the community, but I do not want to embark upon value judgment over these considerations. What is striking me here, is the impact of the procedure on the power relationship. Finally, as is often the case with referendums, this can be a costly operation, expecially if it is run during an off election year.

Ms. Goldenberg's paper represents a very good synthesis of the most interesting provisions regarding dispute settlement in Canada. For the benefit of our American audience, I will repeat as Shirley did, that in Canada, the legislators have not hesitated to take the means to insure finality in collective negotiations: many statutes provide for arbitration or the right to strike and in some instances for a choice between the former and the latter. As regards the right to strike, I still cannot understand why this issue is still being considered in the United States (except in the States of Pennsylvania and Hawaii) a taboo of the same type as the old sovereignty doctrine. Yet, it seems that the argument put forward by the chairman of this panel to the effect that government prefers to deal with people who are acting within the law rather than with a band of oulaws should, in itself, generate support in favor of granting the right to strike to public employees, at least to those whose services are not essential.

On the other hand, I am totally in agreement with two of Ms. Goldenberg's suggestions. First, it seems that the process of collective bargaining will be strengthened if decisions with respect to conciliation and arbitration were removed from the political arena. Secondly, I share Ms. Goldenberg's view that governments should delegate sufficient authority to experienced negotiators not only to make a deal, but also to inspire confidence in the union negotiators that they have the authority to do so.

Some further comments should be made about Ms. Goldenberg's excellent presentation. First, even if it is true that the government must balance its obligation to protect the taxpayers' money against the need to provide its own employees with good working conditions, there remains that, in practice, it all boils down to a matter of relative bargaining powers. Where the unions are strong, either because they have electoral or lobbying power, elected officials will be more lenient towards public employees and they will fear to a lesser degree the prospect of an increase in taxes. Where the unions are weak then, it will be easier for the government or for public employers in general to make a strong case in favor of their incapacity to raise taxes, or to refuse to go to arbitration during negotiations, as the Province of Quebec government is doing presently.

This remark leads me to another one about the role played by public opinion. Despite what has been said about the importance of public opinion in public sector collective bargaining, I believe that public opinion influences the outcome of negotiations differently from what many people think. First, the experience I am familiar with—Québec—has proven that public employees strikes which are supposed to be made to generate public opinion's support behind employees' demands, are not viewed at all in this perspective by the population. The public does not like strikes by public employees and a government which is firm with the unions has nothing or very little to lose even if such strikes are legal. Thus, I think that the Quebec experience should contribute to prove that the granting of the right to strike does not confer automatically bargaining power. Secondly, I do not believe that, in most cases, the pressure of enlightened public opinion might have a moderating influence on bargaining tactics. As I have already mentioned, the public does not care about the complex issues involved in collective bargaining and it is generally quite apathetic except in situations where it can be directly involved as is the case during a long and unpopular strike.

Finally, Ms. Goldenberg has stressed the delicate problem of enforceability of rules or orders which insure the protection of essential services. However, I am not sure that the solution should reside in the strengthening of penalties for non-compliance. Experience under statutes which stipulated severe penalties for employees who were illegally going on strike such as the Condon-Wadlin Act in New York State has proven that tough penalties are not necessarily a deterrent to illegal action. Furthermore, since illegal actions such as the transgressing of injunctions are basically the expression of a negative union attitude toward the law, it should be better public policy to work on the causes of this negative attitude rather than make severe punishment its consequence.

Mr. Zack's paper leads me to three series of observations. First, the whole content of the presentation suggests that the distinguished speaker is referring to a particular value system where the public sector should be considered as a pattern follower rather than a pattern setter as regards the determination of working conditions. By suggesting that public sector employees be paid no less but no more than private sector employees and by recommending the abolition of tenure in public employment he is, in fact, perpetuating the old pejorative view about anything that is "public." For my part, I think that in the face of increasing governmental responsibilities in our day to day lives, it may become more and more acceptable that public employees enjoy a status of their own which is something more than a by-product of their private sector counterparts.

My next two remarks will be biased by my understanding of the lessons that I have learnt from the Quebec experience. On the one hand, Mr. Zack—as many other labor relations experts from the United States—seems to be highly fearful of public employee strikes or strike threats. Such a fear may be explained by the different constitutional form of government between Canada and the United States but I still believe that there are no reasons why a government that stands firm with public sector unions should be running more political risks in the latter country than in the former.

On the other hand, Mr. Zack's suggestions toward the development of a more equitable method for determining compensation standards and the means of financing such a standard are interesting but I think that they willl nevertheless give way to an alternative which he recognizes but does not want to accept: the centralization of the bargaining structure. I will not comment on the major difficulties that would result from the establishment of a system where the parties would have to work out job comparison standards. I will only say that in the Province of Quebec where negotiations are conducted on a province-wide basis in education and hospitals, the unions' whipsawing tactics have been removed; there are no more "ghosts" at the bargaining table and unions cannot resort to "end-run" lobbying. Obviously, the system is not working as well as it should be, but it seems to me that it is more because of the radical ideological orientation of the union leadership than because of the inadequacy of the bargaining structure. I recognize however, that it is difficult for Americans to depart from the traditional concept of "decentralized sovereignty" where every local community is self-sufficient as in the early years following the Revolution.

Nonetheless, I think that the centralization of the bargaining structure in the public sector is inevitable even in the United States. As for the consequences of such action on the traditional American ideal of democracy, I do not think that it represents such an unacceptable eventuality. After all, is it undemocratic to favor equal education standards throughout a state?

III. MANPOWER POLICIES IN CANADA AND THE UNITED STATES IN THE 1970's

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Canadian Manpower Policy: A Policy in Search of a Problem

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My purpose is to review the implementation of Canadian manpower policy in terms of its economic growth and stabilization objectives in the context of the economic and labor market conditions since 1966. I seek to answer the question of whether the policy and its implementation is valid in the light of the economic conditions under which it operated. The year 1966 is chosen as a point of departure because in that year, an active manpower policy came into its own in Canada with the establishment of the new federal Department of Manpower and Immigration.

Objectives of the Policy

The Prime Minister of Canada, in announcing the creation of the new Department summarized the goals of the policy as follows:

". . . (T) he sustained growth of a highly productive economy depends on more highly trained manpower able to adjust its work to changing conditions and to take new opportunities for more productive and rewarding employment. This is of vital importance to full employment and national growth . . ."

The emphasis of Canadian manpower policy is thus largely economic rather than social, focussing on increasing the productivity of the labor force in the long term and in making a contribution to economic stabilization policy in the short term. In this sense, it contrasts with the social and equity objectives of manpower policy in the United States. In its review of 1971, the Economic Council of Canada said: ". . . manpower policy since 1966 has become one of the most important federal policy areas in this country."[1]

In the spring 1970 meeting of this Association in my then role of a senior official of the Department of Manpower and Immigration, I said of manpower policy: "In recent years, we are beginning to increase our emphasis on manpower policy as a selective intrument of economic stabilization policy; to assist in improving the tradeoff between inflation and unemployment in periods of inflationary pressure and to assist in absorbing surplus labor in productive activities such as training in periods of recession."[2]

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[1] Economic Council of Canada, *Eighth Annual Review, September 1971,* (Ottawa: Information Canada, 1971), p. 87.

The Conditions in which the Policy Makes a Contribution

How then do manpower programs increase productivity and growth, reduce inflationary labor market pressures and reduce unemployment? The primary condition is that there be problems of *structural* maladjustment in the occupational and geographic dimensions of the labour market which require amelioration and correction through the application of the typical array of manpower programs. Structural maladjustments typically occur during periods of expansion when the characteristics of the labour supply in occupational and geographic terms do not match job vacancies. This leads to lost production, increasing labor market pressures from bottlenecks and the other familiar signs of labor market strain.

Manpower programs are designed to ameliorate these conditions. The employment service by identifying suitable workers and disseminating labor market information speeds up the process of job matching and thus presumably reduces the average duration of unemployment and occupational bottleneck pressures. Training and retraining programs adapt unemployed and underemployed workers to better fit new patterns of occupational demand. Assisted mobility brings workers from markets where their skills are redundant to markets where they are in demand. Selective immigration is deisgned to match the occupational vacancies and thus increase the elasticities of labor supply curves. These are the main instrumentalities of Canadian manpower policy together with their intended effects of reducing labor market cost pressures, increasing productivity and reducing unemployment.

The amelioration of structural maladjustments in the labor market is the functional role which manpower policy potentially plays in reducing inflationary labor market pressure in the context of sustained labor demand pressures. Thus the realization of the potential contribution of manpower policy depends on the extent and character of structural maladjustment in the economy.

Labor Market Conditions in Canada 1966–1972

What has been the labor market context in which large scale manpower programs have operated since 1966? Space limitations prevent the presentation of a range of statistical indicators or detailed analysis designed to portray the extent of structural maladjustment in the years preceding and after 1966. A few indicative statistics can be presented. The extent of occupational structural maladjustment is best portrayed by occupational shortage and job vacancy statistics while the overall demand and supply relationships in the labor market are indicated by unemployment statistics. After several years of continuous expansion from 1963 to 1967, unemployment started to increase in 1967 with the average rate increasing for most quarters until 1972. Unemployment, as shown in Table I, increased from a rate of 2.9 percent in the third quarter of 1966 to a rate of 5.5 percent in the third quarter of 1972.

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[2] William R. Dymond, "The Canadian Experience", in *Proceedings of the 1970 Annual Spring Meeting,* (Madison: IRRA, 1970), p. 545.

Labor shortages are one measure of the extent of occupational structural maladjustment. Estimates of occupational shortages, in Table II, are based on monthly reports of shortages from Canada Manpower Centres and have been made by the Department of Manpower and Immigration since 1968. The aggregate overall estimate of shortages has been almost cut in half between 1968 at 119,065 to 64,631 in 1970. Undoubtedly, a measure of shortages for 1966 would have indicated a figure greatly in excess of 120,000.

Statistics on job vacancies from the sample job vacancy survey have been published only since the third quarter of 1970 and are therefore difficult to interpret as a trend indicator of structural maladjustment. Conceptually, they are a measure of the average number of daily va-

TABLE I
Quarterly Average Rates of Unemployment, Canada, 1963–1972

Year	Quarter	Unemployment Rate %	Year	Quarter	Unemployment Rate %
1963	I	8.4	1968	I	6.3
	II	5.6		II	5.0
	III	3.9		III	3.9
	IV	4.5		IV	4.2
1964	I	6.9	1969	I	5.9
	II	4.7		II	4.9
	III	3.4		III	3.8
	IV	3.8		IV	4.3
1965	I	5.8	1970	I	6.5
	II	4.2		II	6.3
	III	2.8		III	5.3
	IV	3.0		IV	5.7
1966	I	4.9	1971	I	8.0
	II	3.5		II	6.8
	III	2.9		III	5.3
	IV	3.1		IV	5.7
1967	I	5.3	1972	I	7.5
	II	4.2		II	6.4
	III	3.1		III	5.5
	IV	3.9		IV	n/a

Source: Labour Force Survey, Statistics Canada, Ottawa

TABLE II
Estimates of Occupational Shortages
Canada 1968–1971

Year	Total Shortages
1968	119,065
1969	110,720
1970	64,631
1971	65,379

Source: Department of Manpower and Immigration

cancies over the measurement period. Full-time vacancies were estimated to be 33,900 in the second quarter of 1971 and 46,000 in the second quarter of 1972 and were as low as 21,500 in the fourth quarter of 1970.[3] In a labor force of over 8 million such figures are probably close to the minimum number of vacancies one might expect, due to the frictional turnover of workers, with little indication of the much larger volume of vacancies one would expect if occupational maladjustment were present.

The Implementation of Manpower Policy 1963–1972

While the measures of labor shortage were even more impressionistic in the early sixties, they do suggest that occupational and geographic structural problems were in evidence to a much greater degree than in recent years. The rate of third quarter unemployment, the seasonal low, was 2.8 percent in 1965 and 2.9 percent in 1966 as contrasted with rates of over five percent in 1970, 1971 and 1972. In the first half of the sixties, the major components of Canadian manpower policy were conceived and implemented on a piecemeal and limited basis as compared to today's scale of operations. The point is that the policy was introduced in the context of structural problems.

In 1966, with the creation of the Department of Manpower and Immigration, substantial increases in expeenditures and personnel resources were applied to the implementation of manpower programs especially for the training of unemployed and underemployed adults. Expenditures on the training of adults rose from $105,066,000 in fiscal 1967-68 to $289,576,786 in 1970-71.[4] Between 1968 and 1971, the federal government has spent about $1.4 billion on the program.[5] Man hours of training have varied between one quarter and one and one half percent of labor force time depending on the season. No other country except Sweden, the spiritual home of an active manpower policy, has devoted proportionately as many resources to adult labor force training. Since 1968, training expenditures per member of the labor force have been proportionately a good deal higher than in the United States.[6]

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[3] Statistics Canada, *Quarterly Report on Job Vacancies, Second Quarter, 1972* (Ottawa, 1972).

[4] Department of Manpower and Immigration, *Annual Reports,* (Ottawa, Information Canada).

[5] Economic Council of Canada, *op. cit.* p. 102.

A further relevant dimension of adult training policy has been the regional distribution of expenditures and training activities. It has been policy to progressively increase the intensity of the program, as indicated by Table III, in those regions having the highest levels of unemployment because they are classed as "depressed" and lag in the creation of new employment opportunities. Per labor force member expenditures in 1970-71 were $69.26 in the Atlantic provinces which had the fewest labor shortages and job opportunities and only $26.31 in Ontario, and $22.85 in British Columbia which had proportionately more job vacancies and job opportunities. Official rationales for this particular policy tilt are expressed in terms of reducing regional disparities and creating skilled labor supplies to attract new industries. Apparently, Say's law has been resurrected as part of the policy of regional economic development!

What then has been the contribution of adult training programs (which constitute almost 80 percent of the expenditures of the Department of Manpower) to realizing the objectives of easing labor market pressures, raising the level of growth and productivity, and reducing unemployment? Clearly, to realize most of these potential gains depends on the presence of substantial problems of structural unemployment in its occupational and geographic dimensions. The graduates of training programs must get employed in job vacancies which would otherwise go unfilled at least in the short-run. It is difficult to conceive this happening in a substantial way for the three handred thousand persons in adult training programs under the labor market conditions prevailing in the years 1967 to 1972, with unemployment rates hovering

TABLE III

Total Distribution of Occupational Training of Adults
Per Labour Force Member

Region	1967–68	1968–69	1969–70	1970–71
Atlantic	$19.72	$40.24	$58.45	$69.26
Quebec	11.29	29.58	39.60	42.57
Ontario	15.92	20.86	22.14	26.31
Prairie	12.68	20.71	25.31	29.56
* Pacific	8.18	10.54	18.04	22.85

Source: *Annual Report*, Department of Manpower and Immigration
* Pacific—does not include Yukon

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[6] *Ibid.* p. 103.

around the five and six percent range and occupational shortages dwindling.

What does the empirical evidence suggest about the results of training? The Department of Manpower and Immigration commendably undertakes follow-up surveys of graduates and has developed a benefit-cost model for evaluating the program on a continuing basis. The evaluation data publicly released relates to training in the year 1970.[7] The data indicates that for those taking educational upgrading and skill courses that 67.0 percent were unemployed before training, while only 31.1 percent were unemployed following training. We are invited to conclude that training was responsible for the reduction in unemployment as the Report states: "Employment expectations for B.T.S.D. course candidates nearly trebled while those for skill course candidates nearly doubled."[8] Again: "The figures also indicate that younger males . . . were able to improve their employment prospects more than proportionately *as a result of training*."[9]

These results are completely ambiguous as no comparable sample of unemployed who did not take training is used to evaluate the results.[10] While there is no indication in the Report of the average time elapsed between training and the survey, it was a minimum 3 months for all graduates and probably averaged 6 months. Almost any large group of labor force members (in this case, over 100,000) would show a substantial reduction in the percentage unemployed between two dates six months apart. It is only valid to attribute to training an improvement in employment expectations which exceeds that of a comparable group not undertaking training. Under conditions of high unemployment and generous labor supplies in most occupational categories, the majority of training graduates probably simply substituted for other adequately qualified workers on the labor market as employers frequently use as a recruiting screen recent graduation from a training program as a proxy for motivation and initiative.

Other Elements of Canadian Manpower Policy

Space only permits brief reference to the other elements of manpower policy which includes the employment service, immigration and the assisted mobility program. These programs, too, can only fulfill their potential contribution to economic growth and the cooling of inflationary pressures in periods when structural problems are present to a considerable degree in the labor market as a result of employment expansion pushing against relatively tight manpower supplies.

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[7] *A Report by the Honorable Otto E. Lang, Minister of Manpower and Immigration, on the Canadian Manpower Training Program Results of Training, January to December 1970* (Mimeo, Ottawa, undated).

[8] *Ibid.*, p. 2.

[9] *Ibid.*, emphasis added.

[10] Cf. Einan Hardin, "Benefit-Cost Analyses of Occupational Training Programs: A Comparison of Recent Studies", G. G. Somers and W. D. Wood eds., *Cost-Benefit Analysis of Manpower Policies*, (Kingston, Industrial Relations Centre, Queen's University, 1969) and Economic Council of Canada, *op. cit.*, pp. 111–114.

EMPLOYMENT SERVICE

In Canada, employment service offices are known as Canada Manpower Centres (CMCs) because they provide a delivery system for all the elements of federal manpower policy.

Here I examine the constraints which impinge on the operation of the employment service as a labor exchange which has a potential for reducing unemployment and easing labor market pressures. Survey data indicate that while CMCs are used frequently by unemployed workers in their search for employment, it is not nearly as successful as other job search channels in locating jobs. Although CMCs were contacted by 76 percent of all job searchers, they only had an 11 percent success ratio in finding jobs as compared to much higher ratios up to 27 percent scored by such methods as checking with employers and friends and relatives.[11]

The employment service serves workers in the less skilled and sophisticated occupations to a much greater degree than the higher level occupations. It is in the more sophisticated occupations that job shortages most frequently occur in which labor market pressures are greatest and therefore the service does not play a substantial role in cooling labor market pressures. CMCs have tended to emphasize service to those workers most in need of employment, but who are often least competitive in filling employers' needs, as a result of pressures from the Unemployment Insurance Commission and welfare agencies. Table IV provides statistics on the job orders (vacancies notified) and placements of the employment service from 1966 to 1971.

TABLE IV
Vacancies Notified and Placements,
National Employment Service and Canada Manpower Centres,
1966–1971

	1966	1967	1968	1969	1970	1971
Vacancies Notified	1,544,208	1,345,809	1,008,245	1,072,563	888,337	1,073,997
Placements	878,999	759,375	709,683	746,767	641,966	801,009

MAN 751, National Employment Service
MAN 751, Department of Manpower and Immigration

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[11] Economic Council of Canada, *op cit.*, pp. 177–179.

IMMIGRATION POLICY

Immigration has both pro and anti-inflationary impacts on the economy. If it brings in workers to fill shortage occupations, it is anti-inflationary. It is pro-inflationary when it leads to extra expenditures on schooling, housing, and other goods and service production which are not more than balanced by the productivity increase attributable to the immigrants. In the early sixties, immigration certainly contributed to meeting labor market pressures. Since 1967, there has probably been more immigration than the labor market could absorb and so it may very well have added to unemployment while playing only a marginal role in meeting job shortages. There is a considerable lag in both the volume and occupational mix of immigration due to the impact of changing economic conditions in Canada. Statistical analysis indicates that the total level of immigration is highly correlated with the level of unemployment lagged by a year. Thus in terms of reducing labor market pressures and in providing labor market stabilization, immigration is an imperfect instrument which tends to over and under response.

ASSISTED MOBILITY PROGRAMS

The Department of Manpower and Immigration provides cash grants and resettlement allowances for moving workers and their families to new areas if they are unable to secure employment in their area of residence. The program is relatively small compared to spontaneous mobility between regions. In fiscal 1970-71, less than 6,500 workers were relocated under the program which was well under 2 percent of the unemployed in that year and only about 1 percent of spontaneous mobility.[12] Apart from all of the social and institutional factors inhibiting the mobility of workers, the major constraint in recent years is the shortage of jobs which cannot be filled from workers in the local labor market.

The Potential of Canadian Manpower Policy

I have sought in this review of policy to suggest in the early sixties, when a number of the components of modern Canadian manpower policy were introduced, that there were structural problems in the Canadian labor market which it was designed to ameliorate. Its implementation on a very substantial scale in the years after 1967, coincided with the relative phasing out of substantial structural problems in the Canadian labor market as indicated by the growth of substantial unemployment and the substantial reduction of occupational shortages.

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[12] *Ibid.*, p. 147.

Manpower programs in the areas of training, employment service, labor market information, mobility, and selective immigration are a necessary infrastructure required to facilitate the more efficient operation of labor markets in all circumstances. They therefore make a long-run contribution to improving the quality and degree of the utilization of the labor force. This, however, only makes a case for their use, particularly the manpower training component, at relatively modest resource levels unless the scale of the structural problems to which they are directed demands a commensurate level of resource input.

In fact, manpower policy in the Canadian setting has been influenced by a number of political and institutional pressures which have provided constraints on the degree to which it can strictly concentrate on economic growth and stabilization objectives. Significant political difficulties would be involved for any government seeking to allocate resources for manpower development to the various regions of Canada solely on grounds of economic efficiency.

The administration of Immigration policy strictly in terms of the level and occupational mix of workers required to meet labor market requirements would also encounter serious political and social objections from substantial elements of the Canadian population, who are themselves immigrants with strong ethnic ties and interests in the continued immigration of others from their respective homelands.

The administrative capacity of the Department of Manpower and Immigration in delivering manpower services is another significant dimension of the capacity of the policy to significantly contribute to economic growth and stabilization objectives. Programs must be constantly and flexibly adjusted to changing labor markets on a regional and local basis. Apart from the well known problems of manpower forecasting, there are the more significant problems of administrative flexibility in a very large and complex bureaucratic structure. One substantial difficulty, if resources are not be wasted, is the raising and lowering of the levels and directions of activities in manpower training. It makes good economic sense to step up the training of unemployed in short duration recessions to prepare for a subsequent expansion and thus reduce labor market pressures in the expansion phase. This creates serious administrative, political and capacity utilization problems, particularly in a federal-provincial context when provincial training institutions must quickly respond to the changing demands of a federal agency.

Perhaps the single most important element in effectively gearing manpower policies to meet the requirements of economic growth and stabilization policy is the effectiveness of its coordination with the other economic and social policies of government. Manpower is a facilitating resource in the processes of economic growth and change which must respond quickly. It is also affected, frequently adversely, by the side effects of other economic and social policies. On the supply side, manpower policy can only respond efficiently to both aggregative and selective expenditure and employment policies if it has advance notice of changes in such policies. This kind of effective integration and coordination of manpower policy with other economic policy-making has not been achieved in the past in the Government of Canada. The degree of optimism which one can have in the future about the capacity of governments for achieving coordination in the implementation of programs with multi-sided policy objectives is not very great.

What conclusion can be reached about the capacity of manpower policy in the future to make a significant contribution to the achievement of a more rapid rate of growth with lower levels of unemployment without engendering unmanageable inflationary pressures in the Canadian labor market. The evidence is not conclusive, primarily because the policy has not been applied on a substantial scale under conditions of labor market pressure arising from serious structural maladjustment. In short, the policy has not been subjected to a definitive test.

Its capacity depends, in part, on our capacities to resolve and ameliorate some of the political, administrative and policy coordination problems I have mentioned. To a considerable degree, it depends on government's capacity for policy coordination and the extent to which conflicting social security and economic policies are introduced in the future which will inhibit the capacity of manpower policy to achieve anti-inflationary objectives. It is impossible to forecast in quantitative or even precise judgemental terms the degree to which manpower policy can reduce inflationary pressures and how far and how rapidly employment can be increased and unemployment reduced before an intolerable inflationary threshold is reached. Certainly, my conclusion has to be that there is not enough certainty on this question to make the judgement that manpower policy in Canada can be an alternative, as distinct from a supplement, to other anti-inflationary policies.

Manpower Policies in Canada: Inherent Characteristics and Problems

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A comprehensive manpower policy has not yet been fully developed in Canada. A variety of governments and agencies in the public sector, as well as some groups from the private sector, are concerned with the issues affecting the formulation of manpower policies. Even where the need for a comprehensive manpower policy is recognized, there seems to be disagreement about the relative importance of pursuing economic growth objectives versus socially oriented objectives. No clear distinction has been made in Canada between the public and private sector roles in the pursuit of a comprehensive manpower policy. This lack of clarity at times leads to less than an adequate response to critical manpower shortages and human resource development needs. Frederick Harbison captures the essence of manpower policy formulation in Canada by suggesting that "in a pluralistic society characterized by decentralized decision-making, manpower policy is almost everybody's business."[1]

In part, the gross differences between regions and provinces of Canada, in terms of per capita incomes, standard of living, unemployment rates, levels of educational achievement, and availability of meaningful job opportunities at decent wages, have necessitated a fractionalized approach to the development of manpower policies, reflecting the differences in need and ability to implement a comprehensive manpower policy in the various regions and provinces of Canada.

> "When people live 2,000 miles from the capital, they naturally believe they know more about their own business than the federal bureaucrats. Unless Canada can achieve a broad consensus despite deep-seated regionalism, it will be very difficult to determine a path for development, to keep the economy growing, or to design sensible manpower policies."[2]

The development of a rational co-ordinated manpower policy planning and policy making mechanism has begun to occur in various provinces of Canada and the framework for the achievement of a broad consensus of opinion is beginning to gain a footing through various inter-provincial and joint federal-provincial planning bodies.

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[1] Frederick Harbison, discussant on "The Need for Better Planning and Co-ordination" in *Toward a Manpower Policy*, Robert Aaron Gordon ed., (New York: John Wiley and Sons, Inc., 1967), p. 138.

[2] Eli Ginzberg, *Manpower for Development: Perspectives on Five Continents*, (New York: Praeger Publishers, 1971), p. 285.

No more vividly was the Canadian concern for the development of a rational co-ordinated manpower policy planning and policy making mechanism demonstrated than by the creation of the federal Department of Manpower and Immigration in the mid-1960's. It was almost at the same time that the Council of Ministers of Education, Canada was formed. One of the first actions of the Council, through its Manpower Programs Committee, was to concentrate its efforts on the consideration of a comprehensive manpower policy that would reflect the prevailing conditions and needs of individuals across the country.

As an important part of the Council's continuing study in the manpower policies area, the Systems Research group of Toronto was contracted to undertake a review of manpower policies formulation in Canada on an interdisciplinary basis involving consideration of both economic and equity issues. The research study was completed in June 1972 and the Council of Ministers of Education, Canada immediately shared the report with the federal Department of Manpower and Immigration.

Arising from the study and similar findings by others,[3] five important needs can be identified for consideration by the public policy-makers involved. These needs are:

1. There is a need for a comprehensive human resources development policy in Canada.
2. There is a need for clarification of the roles and responsibilities of the various levels of government in the public sector and members of the private sector in the development of the nation's human resource potential.
3. There is a need to re-address the methods of channelling public funds into human resources development programs.
4. There is a need to develop adequate planning and analysis

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[3] See Joseph A. Kershaw, "The Need for Better Planning and Co-ordination" in *Toward A Manpower Policy*, Robert Aaron Gordon ed., (New York: John Wiley and Sons, Inc., 1967), pp. 117–132; Stanley H. Ruttenberg, *Manpower Challenge of the 1970's: Institutions and Social Change*, (Baltimore, Maryland: The Johns Hopkins Press, 1970); William A. Steiger, "Implications for Political Responsibility and Public Policy" in *Vocational Education and Training Under a Comprehensive Manpower Policy*, (Madison, Wisconsin: Center for Studies in Vocational and Technical Education, 1972), pp. 69–83; Henry David, *Manpower Policies for a Democratic Society*, (New York: Columbia University Press, 1965); National Manpower Council, *Government and Manpower*, (New York: Columbia University Press, 1964), pp. 53–84; Charles C. Holt, C. Duncan MacRae, Stuart O. Schweitzer, and Ralph E. Smith, *The Unemployment-Inflation Dilemma: A Manpower Solution*, (Washington: The Urban Institute, 1971); Arnold R. Weber, Frank H. Cassell, and Woodrow L. Ginsburg, *Public-Private Manpower Policies*, (Madison, Wisconsin: Industrial Relations Research Association, 1969).

capabilities at each of the appropriate levels to ensure that human resources development issues can be effectively treated on a national, provincial, and community basis.

5. There is a need for public policy-makers to better determine the amount and type of government manipulation of the traditional labour market.

In April 1972, the federal government articulated to the provinces a clear intent to participate in the joint federal-provincial planning of manpower programs. At the same time, it was indicated that it had become clear that manpower programs could only be fully effective when there was the closest consultation and co-operation between both levels of government in the planning and carrying out of activities within their respective jurisdictions. It was further indicated that if manpower programs are to be effective in meeting the needs of the people and solving current problems, federal and provincial objectives in this area would need to complement each other.

It is particularly important to note that emphasis is being placed upon the role of identifying individual needs. In the development of any manpower planning and policy making mechanism, "one must begin with the individual who is the target of the manpower efforts, and with what must be done to provide him with a program that meets his needs. Translated into program terms, this means that there must be available . . . an array of manpower services that make it possible for each individual to take full advantage of those manpower services. The array must be truly comprehensive and must include provision for the usual employment services (help to individuals in finding jobs), services aimed at rehabilitation or preparation for employment, manpower training, work experience leading to employment, and subsidized employment in the public sector. . . . In each locality the program must be broad enough to allow tailoring to the needs of individuals and flexible enough to be geared to the specific problems of the community."[4]

In any consideration of manpower policies a fundamental problem of definition is usually involved. At times the dimensions of a comprehensive manpower policy are confusing and disturbing. Many questions arise from the use of the term "manpower" in such phrases as "manpower programs" or "manpower policies". These and other concerns are exemplified in the following statements:

> "The relationship between general education, training, and employment lies at the very heart of manpower policy. In preparation of persons for various careers, what are the appropri-

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[4] Stanley H. Ruttenberg, *op. cit.*, p. 99.

> ate proportions and costs relative to opportunity of general education, pre-employment vocational schooling, and on-the-job development? Should retraining programs be organized primarily for the disadvantaged, or should a retraining system be a continuing part of in-service development and maintenance of all employed working forces? To what extent and in what areas should employing institutions, both public and private, be responsible for training and retraining? What incentives (in the form of subsidies, tax credits, etc.) would be appropriate to encourage private employers to assume a larger share of the training burden?" [5]

Where the public and private sectors of the nation contribute to the formulation of manpower policies in somewhat less than a fully integrated and co-ordinated fashion, it is no wonder that gaps can be found in existing manpower policies. These gaps in existing manpower policies are in part the result of piecemeal, pragmatic responses to specific individual and national problems of the day, rather than the conscious pursuit and development of a comprehensive manpower policy, in which programs and services are selected on the basis of their potential contribution to the full realization of Canada's human resources in terms of social and economic development goals.

"Concern with the nation's goals, as with manpower needs, is, of course, nothing new. What is new is the degree of concern with our society's purposes, with the quality of life, and with narrowing the differentials in opportunities for fulfillment available to individuals."[6] Many individuals today, in both the public and private sectors of our economy, feel that changing social needs may require a shift in the orientation of manpower policies and programs from a primary emphasis on economic efficiency to one of promoting the personal and social development of Canadians. "But in the area of social and economic policy, existing legislation has frequently not kept pace with the need for change. Old laws and old programs die hard. Once they are established and a protective bureaucracy has been built around them, institutional arteries harden, resisting even the most obvious needs for change." [7]

In the area of manpower training, for example, a federal policy that may inherently focus on economic efficiency, i.e., optimizing the use, quality and mobility of manpower resources through skill training, can place the provinces in a state of stress. The provinces commit resources for the delivery of programs in response to the federal policy, and at the same time endeavour to concentrate their efforts on the development of more broadly based human resources development policies and programs to meet the unique needs of their populations. This characteristic is inherent to the provincial responsibility in the education field. Those provinces, which are able to support from general revenues, broadly based human resources development programs, are most likely to be the ones to implement some form of a comprehensive provincial manpower policy. Other less-favoured provinces, wherein on a per capita basis the need for such comprehensive provincial manpower policies and programs may be greater, are likely to be in positions that inhibit the development of such policies and programs.

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[5] Frederick Harbison, *op. cit.*, p. 139.

[6] Leonard A. Lecht, *Manpower Needs for National Goals in the 1970's*, (New York: Frederick A. Praeger, Inc., 1969), p. 4.

[7] Stanley H. Ruttenberg, *op. cit.*, pp. 13–14.

An increasing amount of attention has lately been focused on the promotion of a more equitable distribution of social and economic opportunities and benefits existing in Canada. Such equity oriented goals include the reduction of poverty, of inter-regional disparities in income distribution, and the provision of a broad range of social services designed to increase opportunity levels for individuals and groups who might be classified as "disadvantaged". The deep concern with such equity oriented goals produces a much broader interpretation of manpower policies. "In the broadest terms, manpower policy should be concerned with the *development, maintenance,* and *utilization* of actual or potential members of the labour force, including those who are fully and productively employed as well as those who experience difficulty in getting work." [8] Such a manpower policy calls for the existence of a comprehensive set of human resources development policies and programs, each segment of the overall policy integrated with all other segments and working toward the achievement of the broad manpower policy objective. To be effective, manpower policy "must be more than a glued together collection of separate pieces. It must be integrated, each piece with the other, so that the individual has available to him in an orderly sequence whatever he needs to move from unemployment and unemployability to a good job at a decent wage. It must provide a well-defined relationship to other social and economic development programs." [9]

Positive steps are being taken both provincially and nationally toward the achievement of a broader manpower policy position. However, "if the promise of education or training is to be believed by those made cynical by the failure of past commitments, a direct and observable tie to a job guarantee must be involved."[10] Such a manpower policy position would imply that governments must be prepared to take an active role in the development of meaningful job opportunities for all individuals who need and want them at decent wages. Indeed, the governments may be required to act as employers of 'last resort' if private employers fail to respond to job creation incentives as may be offered through traditional monetary and fiscal policies.

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[8] Frederick Harbison, *op. cit.*, p. 156.

[9] Stanley H. Ruttenberg, *op. cit.*, pp. 6–7.

The problem of social and economic equity in national and provincial manpower policies demands that particular attention be given to those segments of our population which suffer from unequal opportunity at good jobs at decent wages.

> "Current policy has been conceived in terms of a model which views the distributions of employment and unemployment as a queuing problem. The labor market is thought to operate as if workers stood ranked in line, and employment expanded and contracted along that line, so that the unemployed are those standing at one end. Position in the line is generally assumed to be determined by desirability to employers, which is, in turn, usually taken to be a function of skill (or the ability to absorb skill). But desirability could also be a function of behavioral traits, race or sex; and position in the line might be determined by access to information and transportation which employers do not directly control. In any case, the disadvantaged are deficient in those characteristics determining position in the employment queue; they therefore stand perpetually at the end of the line and remain unemployed."[11]

If such a view of the functioning of the labour market is to be corrected to allow for equal participation by all citizens of Canada, then manpower policies which provide for the creation of meaningful and socially useful job opportunities for all persons who need and want employment are required. Such manpower policies would aim at minimizing the waste of human resources which results from idle and underutilized labour in the economy. This view of manpower policy may involve entirely new interpretations of meaningful and socially useful job opportunities. New approaches to job development and career opportunities may be required. Compensatory employment practices, which involve preferential treatment of the disadvantaged for new job openings and fixed employment quotas, may need to be followed in the private and public sectors.

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[10] Sar A. Levitan, Garth L. Mangum, and Robert Taggart III, *Economic Opportunity in the Ghetto: The Partnership of Government and Business*, (Baltimore, Maryland: The Johns Hopkins Press, 1970), p. 44.

[11] Michael J. Piore, "On-the-job Training in the Dual Labor Market: Public and Private Responsibilities in On-the-job Training of Disadvantaged Workers" in *Public-Private Manpower Policies*, Arnold R. Weber, Frank H. Cassell and Woodrow L. Ginsburg eds., (Madison, Wisconsin: Industrial Relations Research Association, 1969), p. 122.

> "The compensatory employment approach does not seek merely to ensure equality of treatment, but stresses genuine equality of opportunity as well. It endeavours both to take into realistic account the cultural, physical, educational and financial drawbacks and disabilities that tend to entrap disadvantaged groups in vicious circles of poverty and despair, and to help devise ameliorative techniques with which to extricate them from this syndrome." [12]

It appears evident that in the formulation of any comprehensive manpower policy, policy planners and policy makers will need to address themselves to a number of important issues. Among the many issues that need to be resolved are included: (1) a determination of the amount of government manipulation of the traditional labour market which may be appropriate under existing social and economic conditions; (2) a determination of the amount of public job creation and job maintenance that would be acceptable at various levels of unemployment; (3) the appropriate mix between public and private manpower development efforts and all other public and private supportive services in the human resource development area; and (4) the appropriate role of the various participants in the human resource development area to provide services and the appropriate funding arrangements that may be required to provide these services.

> "Given a mixed bag of evidence on the performance and apparent potentialities of manpower policy, the policy-maker might well look upon it more as a supplement to than a substitute for alternative policies. But given the limited effectiveness of the alternatives, manpower policy can be a valuable supplement." [13]

Viewed as a tool to promote the economic efficiency and growth of the nation, manpower policy has not realized its full potential as a means for addressing a more complete range of social and econmic development problems. Through a co-operative planning process that involves the attainment of co-ordination in the areas affecting manpower policies, improvement in manpower delivery systems, and program integration, the development of a comprehensive policy can be realized.

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[12] Kalmen Kaplansky, "Human Rights—From Concepts to Positive Action" in *The Labour Gazette*, Vol. 72, No. 7, July 1972, pp. 347–348.

[13] Lloyd Ulman, "Labor Markets and Manpower Policies in Perspective" in *Monthly Labor Review*, Volume 95, Number 9, September 1972, p. 27.

> "Manpower issues cover a wide area and are not only related to the supply of and demand for labour which underlie economic growth but also to social justice and to the stabilization of employment and prices." [14]

This helps to explain the reason why previous manpower policies, aimed solely at a manipulation of supply and demand factors in the economy, have not fully met the needs for social and economic equity in Canada. Similarly manpower policies have not yet played a significant role in the prevention of the unwanted trade-offs that have occurred between inflation and unemployment.

Policy-makers in Canada face the challenge of overcoming the entanglements related to jurisdictional responsibilities in the manpower policies area, co-ordinating provincial and federal program activities, and resolving regional differences in social and economic development opportunities.

A comprehensive human resources development policy, comprised of a carefully integrated matrix of manpower, social development, and economic development policies, should be an initial goal of policy-makers. Such a policy working in combination with monetary and fiscal policies would do much to permit individuals to make their maximum contribution to the social and economic well-being of society. The Canadian experience, especially over the past twenty years, gives encouragement to the attainment of a comprehensive human resources development policy for Canada within the decade of the seventies.

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[14] E. Ziegler, "Manpower Challenges of the 1970's" in *Canada Manpower Review*, Vol. 5, No. 2, Second Quarter, 1972, p. 1.

Manpower Policies and Unemployment Among Youth[1]

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I. Introduction

The characteristics of unemployment among women and youth are clear: it occurs frequently; it tends to be of short duration; much of it is associated with job changing and entry (or re-entry) into the labor force; and it tends to be unresponsive to changes in aggregate demand.[2] What, if anything, should be done about it? On grounds that it would be desirable to shift the Phillips Curve to the left, some experts have argued rather persuasively for a manpower solution.[3] Holt and his associates propose better counseling, improved matching of jobs and workers, and ways to quicken the search process. Feldstein emphasizes a combination of a reduced minimum wage for youngsters, a Youth Employment Scholarship program, and inducements to firms to provide training and career opportunities.

The wisdom of such policies, of course, depends on the economic, social, and psychological consequences of alternative actions (including the costs at the margin of manpower programs themselves). There is no merit in shifting the Phillips Curve unless society ends up "better off" than before. The issue is whether provision of additional manpower services and widespread restructuring of jobs is both feasible and worth the price. Better and quicker matching of workers with jobs may, for example, reduce interfirm movement and associated frictional

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[1] The research was supported under a contract with the Manpower Administration, U.S. Department of Labor, under the authority of the Manpower Development and Training Act. Researchers are encouraged to express their own judgments. Interpretations or viewpoints stated in this document do not necessarily represent the official position or policy of the Department of Labor. The author wishes to thank John Grasso, Andrew Kohen, Edward O'Boyle, Herbert Parnes, and Roger Roderick for helpful comments on an earlier draft, and Diane C. Faulk, James O'Dell, Harvey Forstag, Gary Schoch, and Keith Stober for research assistance.

[2] Robert E. Hall, "Why is the Unemployment Rate So High At Full Employment," *Brookings Papers on Economic Activity* (3; 1970). pp. 369–402.

[3] Charles C. Holt, C. Duncan MacRae, Stuart O. Schweitzer, and Ralph E. Smith, *The Unemployment-Inflation Dilemma: A Manpower Solution* (Washington, D.C.: Urban Institute, 1971); "Manpower Programs to Reduce Inflation and Unemployment: Manpower Lyrics for Macro Music," Institute Paper 350-28 (Urban Institute, 1971; processed); and Martin S. Feldstein, "Lowering the Permanent Rate of Unemployment," background paper commissioned by the Joint Economic Committee, U.S. Congress (Cambridge, Mass.: Harvard Institute of Economic Research, October 1972).

unemployment resulting from bad placement decisions. But, even this is not clear.[4]

This paper examines (1) the character of unemployment among young women during the recent prosperity (1967 and 1968), and (2) whether joblessness among youth seems to have been a serious personal, economic problem. Several dimensions of unemployment are examined in Section II. This is followed in Section III by a discussion of job expectations and of the influence of "unrealistic" expectations on the duration of unemployment. Section IV describes the extent of interfirm mobility among young men and women and the consequences of unemployment associated with such movement. Section V concludes the paper with a short discussion of policy issues.

The analysis is based on data from personal interviews with two of the four cohorts which comprise the National Longitudinal Surveys of Labor Market Behavior: approximately 5,000 young women who were 14 to 24 years of age when first interviewed in January–February 1968, and a comparable number of men in the same age group when initially surveyed in October 1966. In the sample design, Negro and other races were overrepresented three-to-one relative to whites in order to have sufficient sample cases for examining intercolor differences in labor market behavior. The analysis here is based on weighted observations; information on blacks and whites is presented separately.[5] Most of the analysis is restricted to young women who were employed in one or more weeks during the calendar year or 12-month period prior to the 1968 or 1969 survey. Only women who worked were asked about number of spells of unemployment, a key dimension of unemployment experience.[6]

II. Dimensions of Unemployment

The ratio of number of weeks of unemployment to number of weeks in the labor force is analogous to an unemployment rate at a moment-in-time, but it is analytically more instructive. The numerator W_u of the unemployment ratio, $\frac{W_u}{W_{lf}}$, can be decomposed into three components: the incidence $(\frac{P_u}{P_{lf}})$; frequency $(\frac{S_u}{P_u})$; and average duration per spell of unemployment $(\frac{W_u}{S_u})$; since:

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[4] As Hall has emphasized, ". . . there is no theoretical presumption that the policies recommended [by Holt, et al.] will reduce rather than increase the unemployment rate. The goals of speeding up placements and reducing quits and layoffs are in direct conflict with one another: The easier it is to find a job the more likely is a worker to quit, and the easier it is to fill a position subsequently the more likely is an employer to lay a worker off." Robert E. Hall, "Prospects for Shifting the Phillips Curve Through Manpower Policy," *Brookings Papers on Economic Activity* (3;1971), pp. 664–665.

[5] Nonblack-nonwhites (e.g., Orientals, American Indians, etc.) have been excluded from the analysis here. For more details concerning sample design, interviewing procedures, and the like, see John R. Shea, Roger D. Roderick, Frederick A. Zeller, and Andrew I. Kohen, *Years for Decision,* Vol. I, Manpower Research Monograph No. 24 (Washington, D.C.: USGPO, 1971).

[6] The following assumptions concerning number of spells have been made for the open-ended class, three or more spells, on the basis of each respondent's total weeks unemployed: if 2–4 weeks, 3 or more spells equals 3 spells; if 5–9 weeks, 3.2 spells; 10–14 weeks, 3.4 spells; 15–26 weeks, 3.6 spells; and 27–52 weeks, 3.8 spells.

$$\frac{W_u}{W_{lf}} = \frac{\dfrac{W_u}{P_{lf}}}{\dfrac{W_{lf}}{P_{lf}}} = \frac{\left(\dfrac{P_u}{P_{lf}}\right)\times\left(\dfrac{S_u}{P_u}\right)\times\left(\dfrac{W_u}{S_u}\right)}{\dfrac{W_{lf}}{P_{lf}}}.$$

P_u is the number of persons who experienced some unemployment; P_{lf} is the number who participated in the labor force at least one week; S_u is the number of separate spells of unemployment experienced by the group; and W_u and W_{lf} are the number of weeks spent in unemployment and in the labor force, respectively.

During 1967, unemployment was experienced by one-third of the out-of-school black women (who worked at least one week) and by one-fifth of their white counterparts. The incidence of joblessness was lower among students, although this is almost certainly because unemployed women without past work experience have been excluded from the universe. Multiple spells were frequently encountered by women in both enrollment status groups. The average duration per spell of unemployment, however, was rather short, ranging from 4.5 weeks for out-of-school whites to 6.8 weeks among both white students and black nonstudents.

The high incidence of unemployment among women, especially black women, may be attributable to characteristics of the "secondary labor market." Differences are apparent in unemployment by occupation, and black women tend to be in occupations that display high rates of unemployment. Nevertheless, *within* major occupational groups, blacks are still more likely than whites to have experienced involuntary joblessnesss (Table 1).[7]

What other factors increase the likelihood of experiencing some unemployment? One is movement from school to work. Over two-fifths (44 percent) of the black women and about one-third of the white who left school between the two survey dates (1968 and 1969) experienced some unemployment in the 12 months preceding the second survey. The often-bumpy transition from school to work, however, is only one

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[7] Distributing the number of black women by the relative proportions of whites in each major occupational group has only a modest influence on the black unemployment ratio. Specifically, the fraction of weeks in the labor force spent in unemployment falls from 10.0 percent to 9.0 percent.

TABLE 1

Unemployment in Calendar Year 1967, by Occupation of Current (or Last) Job 1968, and Race: Women 14 to 24 Years of Age, *Not* Enrolled in School, Who Worked 1 or More Weeks in 1967[a]

Dimension of Unemployment	Total	Prof. Tech. Mgr.	Clerical and Sales	Blue Collar	Domestic Service	Other Service	Farm
			BLACKS				
Incidence	.33	.49	.31	.41	.37	.27	.14
Frequency	1.6	b	1.4	1.4	1.9	1.4	b
Duration	6.7	b	5.2	6.0	5.7	8.9	b
Mean Weeks in Labor Force	34.3	44.3	36.7	36.7	33.3	31.7	18.9
U Ratio	.10	b	.06	.09	.10	.11	b
Number (thousands)[c]	857	55	242	203	120	197	35
Percent Distribution	100.0	6.5	28.4	23.8	14.1	23.1	4.1
			WHITES				
Incidence	.21	.14	.21	.30	.14	.19	.08
Frequency	1.4	1.3	1.3	1.4	b	1.4	b
Duration	4.5	5.9	4.6	5.7	b	10.8	b
Mean Weeks in Labor Force	37.4	39.5	39.3	35.1	25.4	31.9	33.1
U Ratio	.03	.03	.03	.07	b	.09	b
Number (thousands)[c]	5,396	836	2,634	883	113	805	72
Percent Distribution	100.0	15.6	49.1	16.5	2.5	15.0	1.3

[a] Except for those employed, excludes respondents who at the time of the 1968 survey had never worked at a regular full- or part-time job or business lasting two weeks or more.

[b] Not calculated; number with some unemployment represents fewer than 20 sample cases.

[c] Total includes less than 1 percent whose occupation was not reported.

of several culprits in explaining the overall level of unemployment. Had school leavers experienced the same incidence, frequency, and duration of unemployment as those out of school both years (but retained the same average weeks in the labor force), the *overall* unemployment ratio would have declined by only four-tenths of a percentage point among whites and by three-tenths of a point among blacks.[8]

Another strong correlate of experiencing some involuntary joblessness is change in job status. Young women who were not working for the same employer at the time of both surveys—about 60 percent of the whites and 70 percent of the blacks—had a much higher incidence of unemployment than other respondents. Of course, employer change (or entry or exit from the labor force) was not unrelated to change in enrollment status or change in county (or SMSA) of residence, another variable associated with unemployment.[9]

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[8] The calculations understate the influence of change in enrollment status vis-à-vis those enrolled both years, assuming that leaving school leads to unemployment rather than the reverse.

III. Expectations and Duration

We turn now to a consideration of the "job expectations" of young women with work experience who were unemployed at the time of the 1968 survey. Such respondents were asked about the kind of work they were seeking, how much the job would have to pay, and whether there were any other restrictions, such as hours or location, that would be a factor in taking a job.[10] About 10 percent of the unemployed were seeking occupations that, according to General Educational Development (G.E.D.) requirements for comparable occupations listed in the *Dictionary of Occupational Titles* (D.O.T.), called for more years of formal education than they possessed.[11] Approximately one-third of the unemployed were seeking occupations in a different one-digit group from their last occupations. And, while wage rate expectations were generally "realistic" when compared to the hourly earnings of comparable persons who were employed, 14- to 17-year-old girls in school often expected a wage rate that exceeded the actual rate of pay of those at work.[12] Actual rates, in this case, were heavily influenced by the hourly earnings of babysitters, whereas unemployed students in this age group were seeking better-paying jobs, often in the clerical and sales category.[13]

Despite some differences—and, indeed, "unrealism"—in the expectations of job-seekers, a rather careful, multivariate analysis of the data failed to reveal any systematic relationships between "expectations" and duration (up to the survey week) of current spell of unemployment.[14] Furthermore, expectations in 1968 were essentially unrelated to the incidence of unemployment as reported in the second survey. In sum, while "choice-theoretic" interpretations of unemployment are rather popular these days, there is little evidence in the data at hand to suggest that the *duration* of joblessnesss among young women is importantly influenced by wage and other expectations.

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[9] In the case of geographic movement especially, the direction of causation is not entirely clear.

[10] Women with children were also asked whether they would need to make special child-care arrangements.

[11] G.E.D. requirements were taken from James G. Scoville, *The Job Content of the U.S. Economy, 1940–1970* (New York: McGraw-Hill Book Co., 1969), Appendix A.

[12] The comparison "controlled statistically" for highest year of school completed, school enrollment status, age, race, region, and city size.

[13] Diane C. Faulk, "Job Expectations and Unemployment Among Young Women with Work Experience" (M.A. Thesis, The Ohio State University, 1972).

[14] There was a small, zero-order correlation of —.03 between the ratio of "expected" to "predicted" wage rate and duration of current spell, suggesting that wage rate requirements may decline slightly with increasing duration of joblessness.

IV. Interfirm Movement and the Consequence of Unemployment

Contrary to what many people believe, the immediate economic consequences of unemployment among young people over the period from 1967 to 1969 do not appear to have been terribly serious. Among out-of-school women who were employed at both survey dates (1968 and 1969), nearly a third changed employers. Job changers did experience greater-than-average unemployment between the two surveys: 2.7 versus 0.2 weeks among blacks, and 1.2 versus 0.3 weeks among whites. And, while "job changers" were paid less than "job stayers" in 1968, the cents-per-hour increase in rate of pay was about the same for the two groups. Given the differences in base year rates, of course, the mean relative increase was higher for movers than stayers.

Young men not enrolled in school also displayed considerable job mobility. Although not shown here, over half of the blacks and well over 40 percent of the whites changed jobs at least once between 1967 and 1969.[15] Among black job changers, nearly two-thirds quit their 1967 jobs; among whites, the proportion was 82 percent. Interfirm movement was positively associated with mean weeks of unemployment over the two-year period. However, only one week of joblessness per year separated voluntary from involuntary job changers. Since young men who shifted from one employer to another experienced a larger average improvement in hourly rate of pay, the loss of working time through unemployment was counterbalanced for many, if not most, of the respondents. Even among young blacks, the longitudinal evidence hardly fits the typical radical (or dualist) conception of the labor market. Black men employed both years less frequently quit their jobs than did white men. Furthermore, among both whites and blacks, average wage improvements belie the supposition that low-wage workers cannot improve their position by moving between jobs.

V. Discussion: The Policy Issues

There are several ways of responding to the debate over the relevance of expanded manpower programs for unemployment among women and youth within the context of macro-policy goals summarized in the Phillips relation. One position, that of Holt, Feldstein, and others, is to advocate a sharp increase in manpower and employment services. Another is to accept (with regrets, of course) the adverse shift in the Phillips Curve. Recent testimony before Congress by two of President Nixon's Economic Advisers leans in this direction, since it emphasizes the concept of "maximum employment" and plays down a target rate of unemployment.[16] A third position, and the one that I wish to take, is both less assertive about solutions and a bit less evasive about the significance of unemployment. While the notion of unemployment is well understood by most Americans and thought to have personal if not social repercussions, there is reason to doubt the validity of the traditional measure of "full employment" for policy purposes. At a minimum, there is need to take account of the implications of different patterns of unemployment among sub-groups in the population. This calls for careful analysis of the nature of their unemployment and of its economic and psychological consequences for the individual, his/her family, and the community.

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[15] For more details, see Andrew I. Kohen, *Career Thresholds*, Vol. IV, Manpower Research Monograph No. 16 (Washington, D.C.: USGPO, forthcoming 1973).

Many of the manpower proposals advanced to counteract youth unemployment probably have merit, if not from the point of view of their effects on unemployment, then because they serve to encourage the development of career ladders and more informed occupational choices—desirable outcomes per se. On the other hand, we have found no evidence in the data that counseling of teenage girls toward more "realistic" immediate wage and occupationl expectations is likely to bear fruit. Simply put, unrealistic expectations seem to make little or no difference for length of unemployment. Such expectations, of course, may influence labor force participation over time, but this is a subject which we have not explored.

One can make a strong case for careful development of research and demonstration projects in the manpower area before changes in manpower policy are launched on a grand scale. The reason is that so little is known about the probable effects of proposed remedies for manpower problems. Consider the matter of restructuring of jobs into career ladders. It is not clear how much change would take place in many industries if massive training (career) incentives were available. In the meantime, efforts can be made within the existing structure of manpower programs to place greater emphasis on job tenure possibilities and career progression as criteria of success vis-à-vis the more traditional measure of immediate job placement.

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[16] Statement of Herbert Stein and Ezra Solomon, Council of Economic Advisers, before the Joint Economic Committee, October 26, 1972 (processed).

DISCUSSION

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My comments will be directed at the papers by Messrs. Angood and Shea, since the vagaries of the Christmas mails prevented my seeing Mr. Dymond's paper until late last night.

It is difficult to evaluate the Angood and the Shea papers jointly, since the authors have approached the topic of manpower policy in their respective countries in substantially different ways. Mr. Angood has chosen to analyze the issues arising in the formulation and implementation of a comprehensive manpower policy, giving relatively little attention to the specifics of the Canadian experience. Mr. Shea focuses primarily on the findings of his research on the unemployment experience of young women, and relates these to the debate on one rather limited aspect of manpower policy in the United States. Nevertheless, there is at least one tenuous link between the two papers. Mr. Angood emphasizes the importance of adequate analysis in formulating manpower policies; the Shea paper illustrates the process of teasing out of empirical data useful guidelines for policy decisions.

Shea's major thesis is unassailable: that the implications for policy of a given level of unemployment depend upon its character and composition and upon the seriousness of its impact upon those who experience it. Moreover, proposed remedial measures must be shown not only to be relevant, but also to be worth their cost, all things considered.

Focusing largely on young women, Shea produces evidence consistent with the findings of Robert Hall, Charles Holt, and others that the high unemployment rates of youth in years like 1968 and 1969 are attributable largely to a high incidence of frequent short spells of unemployment rather than to substantial amounts of "hard core" joblessness, and that the unemployment of youth is associated in large measure with labor force entry or re-entry and with job changing. Furthermore, his longitudinal data permit him to show that, generally speaking, and especially among blacks, the higher incidence of unemployment among job changers was counterbalanced by larger increases in hourly earnings than those experienced by youth who remained in the same jobs.

From all of this Mr. Shea concludes that the consequences of unemployment among young people in the period under consideration "do not appear to have been terribly serious," and that caution ought therefore to be exercised in advocating massive new manpower programs to deal with the problem. My only reservation about the conclusion stems from the fact, which I am sure Mr. Shea recognizes, that his data are really only suggestive rather than conclusive with respect to the economic and psychological impact of unemployment on youth. For one thing, average duration figures can conceal substantial variation; for another, it would be well to know to what extent even relatively short periods of unemployment lead to the abandonment or downward revision of educational and occupational goals, to frustration and disillusionment, and to significant adverse effects on total family income. As Shea suggests, these are questions that can be addressed as additional data from the longitudinal surveys become available.

In any case, Shea is clearly correct in asserting that we need to know more than we currently do about the probable effects of programs which, on their face, would appear to be helpful. In this context, I fully agree with his recommendation for experimental and demonstration projects. If these are carefully designed, they may provide useful guides to the types of programs that promise the most productive results under varying circumstances and for various groups of workers.

To the extent that I am able to discern the major threads of Mr. Angood's argument, he appears to be making the following propositions:

1. There is need in Canada—and presumably elsewhere as well—for a broadly defined "manpower policy" which recognizes objectives of social equity as well as of economic stability and growth, and which, moreover, embraces the full range of activities required to improve the economic efficiency of the work force and to minister to the work-related needs of individuals.
2. Among the impediments to the development of such a comprehensive manpower policy in Canada are (a) confusion over the relative roles of federal and provincial governments and over the the respective responsibilities of the private and public sectors; (b) inadequate capabilities for planning and analysis; (c) disagreement over the relative emphasis to be placed upon economic versus social objectives; and (3) lack of consensus on how much interference with automatic market forces should be tolerated.
3. Although Canada does not yet have a comprehensive manpower policy, experience during the past two decades provides some basis for optimism as to its attainment in the current decade.
4. To the extent that objectives of social equity are given increased weight in manpower policy, there will probably be need for government-created employment opportunities and for preferential treatment of the disadvantaged in both the public and private sectors.

I find relatively little to quarrel with in these assertions, and am struck by the degree to which they are equally relevant to the United States. I am disappointed, however, that Mr. Angood has not done more in the way of illustrating some of his generalizations with specific aspects of Canadian experience. For instance, he might well have referred to some of the Local Initiative Programs developed under the Special Employment Plan last winter, for these seem to me to have been particularly imaginative illustrations of his assertion that Canada is giving increasing attention to the social equity goals of manpower policy.[1]

I share Angood's predilection for a comprehensive human resource policy, which in my view comprises all public and private efforts directed at improving the effectiveness of man in his productive role. I suspect that Canada and the United States have erred in opposite directions in attempting to fashion such a policy: the United States in focusing on the disadvantaged segments of the population and Canada in emphasizing the primacy of growth objectives. In both nations the potential conflict between these two objectives has tended to obscure the respects in which they are mutually reinforcing. Converting unutilized and alienated members of the community into productive and self-respecting workers is obviously not without significance for economic efficiency and growth. By the same token, catering to the "mainstream" of the labor force indirectly ministers to the disadvantaged in several ways—most importantly by improving the trade-off between inflation and unemployment. This permits more vigorous use of fiscal and monetary policies to stimulate high levels of aggregate demand for labor—still probably the single most effective remedy for the employment problems of those at the end of the queue. As I see it, the question is not whether economic efficiency or aid to the oppressed is the more important objective of manpower policy; rather, it is how we can pursue both of these important objectives simultaneously in such a way as to minimize the deleterious effects of each on the other.

In this context, I am somewhat surprised at Mr. Angood's almost casual reference to the need for "compensatory employment practices" with no consideration of some of the problems they involve. "Reverse discrimination" may not only have adverse effects upon economic efficiency, but may also be inequitable to individual members of the group with whom "equality of opportunity" is sought. The issue rests upon fundamental value judgments. I cannot speak to the situation in Canada; so far as the United States is concerned, I am personally willing to accept a policy of reverse discrimination in moderation, but not without misgivings.

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[1] Cf. John Newark, "Special Employment Plan—Winter, 1971–2," *Canada Manpower Review*, Third Quarter, 1972, pp. 1–7.

On the other hand, I am enthusiastic in sharing Mr. Angood's inclination toward the concept of government as employer of last resort. This seems to me to be the only way out of two dilemmas involved in manpower policy. For one thing, given the Phillips Curve relationship, we are unlikely to be able to create sufficient jobs in the private sector to absorb those at the end of the employment queue; thus unless government creates job opportunities directly, even the most imaginative programs of training and counseling will simply result in a game of musical chairs. Secondly, there are some categories of individuals who are unlikely under any circumstances to make satisfactory candidates for employment in the private sector. The necessity of serving them is one of the factors that has made the Public Employment Service in the United States less able to function as a true labor exchange. The existence of a public employment program seems to me the best way of assuring the fullest accommodation of the employment needs of the disadvantaged without compromising the ability of the Employment Service to meet the needs of employers and of "mainstream" workers.

IV. MEASURING THE QUALITY OF LIFE—SOCIAL INDICATORS

The Need for Social Indicators

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We propose to talk about the need for more and better social indicators, to outline the contributions social science is making and can make to advance work in this field, and to provide illustrations of some promising recent developments, while omitting key topics covered in other papers in this program.

The term "social indicators", and related terms ("social reporting", "social accounts", "social bookkeeping", "social intelligence", and "monitoring social change") have been part of the vocabulary of professional social scientists, social commentators, legislators, and governmental administrators in the United States since the mid-1960's. In addition, there has been rapid development of international interest in the field.

Discussions of social indicators have ranged from rather broad visions of social systems accounting (Gross, 1966) to detailed examinations of conceptual and measurement issues in specific areas of inquiry (Sheldon and Moore, 1968). The various reasons advanced for an interest in social indicators have been summarized in a paper by Land (Land, 1972). These are:

The social policy rationale: ". . . several of the early proposals for social indicators advanced the rationale that social indicators can help (1) to evaluate specific social programs, (2) to develop a balance sheet or system of social accounts, and (3) to set national goals and priorities."

The social change rationale: ". . . the measurement of social conditions (social states); the supplementing of economic indicators with information on the 'quality of life' or the 'conditions of human existence'; and the measurement of social change. . . ."

The social reporting rationale: ". . . the improvement of social reporting, and the prediction of future social events and social life."

Our purpose in citing these rationales is to suggest the dimensions of our topic, not to argue the merits of the various positions. The flaws in the social policy rationale *as stated* have been exposed elsewhere (Land, 1972; Sheldon and Freeman, 1970). The issue is not *whether* social indicators are related to social policy, it is *how* they are related (Biderman, 1970). A note of clarity is introduced by Rivlin, who treats the descriptive and analytical statistics (indicators) needed to identify and monitor social problems as a distinct enterprise from the experimental designs she endorses for the evaluation of government programs (Rivlin, 1971).

As for the definition of indicators, we are referring to statistical time series that measure changes in significant aspects of a society. Within such a broad definition there are many issues or distinctions which may be delineated—the neutral vs. normative issue, the descriptive vs. analytical distinction, the aggregation issue, the objective vs. subjective distinction, the question of whether to focus on data about individuals or about collectivities too, whether the focus is properly problem-oriented or descriptive of the dynamics of systems, and others (Zapf, 1972). Commenting on the variety of views expressed in the literature regarding the scope, purpose, and content of social indicators, Duncan wrote (Sheldon, 1971):

> What we must have, minimally, are quantitative statements about social conditions and social processes, repeatedly available through time, the reliability and validity of which are competently assessed and meet minimal standards. If such statements—"social measurements"—can be organized into accounts . . . so much the better. If some combination of measurements or quantities derived from elementary magnitudes can be shown to serve a clear interpretive purpose as "indicators", so much the better. As accounting schemes, models of social processes, and indicators are developed and tested, our idea of what to measure will, of course, change. But that does not alter the principle that the basic ingredients are the measurements themselves. We are talking about information, the processing of information, and the reporting of processed information.

In other words, a prerequisite to the advancement of social indicators, however defined, is the scientific measurement of social change. Duncan's statement is a call to social scientists to get on with their part of the job.

Within this framework, and the limits of the space allotted, we have chosen to concentrate our remarks on a few key strategies for meeting the need for social indicators.

Exploitation of Existing Data Resources

One such strategy is the greater exploitation of existing data resources. The federal statistical establishment annually disgorges immense amounts of social data, only a fraction of which gets distilled as knowledge about social change. Salutary exceptions to this rule include the Census Bureau's *Current Population Reports* on changes in the social and economic conditions of blacks, Mexican-Americans, youth, and city populations. Recently, in publications on "Age Patterns in Medical Care, Illness, and Disability," "Health Characteristics of Low-Income Persons," and other topics, the National Center for Health Statistics has shown a recognition that its data, traditionally focused on specific conditions and on types of health care, can be reorganized to describe important social trends (U.S. Dept. of HEW, 1972, a & b).

In general, however, federal statistical reports devote a great deal of attention to how the data were put together (as they should) and very little attention to what the figures mean. This is not, of course, to suggest that statistical reports ought to contain policy comment; they should not. But, if the careful documentation of methodology is the primary responsibility of the statistician, surely a close runner-up is the responsibility to utilize accepted analytical techniques and methods of data presentation that enable the data to tell the story that will not be told in the absence of analysis.

Possibilities for development of analytical measures may be illustrated by the prospect for an advance in knowledge about family dynamics, using available statistical resources (Land, 1971). The resources and techniques exist also for annual series of indexes of the level of residential segregation by race, and other topics. What is missing in these and other areas is a mandate and support for the development of analytical measures of major social trends comparable to the emphasis given economic trends.

Short of new analytical measures, much can be done to communicate the meaning of the masses of data already produced. There now exist powerful techniques of multivariate analysis (Mosteller, 1968) which render obsolete much of the traditional inspection and oversimplified summarization (means, percentages, standardization on one variable out of many) which has characterized the analysis of complex cross-tabulations of social data.

In economic time series, our official agencies think nothing of adjusting the data to eliminate seasonal influences; they have done it for so long that their readers expect it, and the press relays reports of seasonally adjusted data routinely. The analogous operation for social data is readily available through multivariate analysis. We have recently received a Norwegian analysis of health data by the new techniques (Langsether, 1972). There is no reason why U.S. agencies should not follow suit. Failure to do so results, often enough, not merely in failure of communication, but distortion of meaning.

Replication of Baseline Studies

Another approach to the further development of social indicators is through what Duncan has called the replication of baseline studies to measure social change (Duncan, 1969). This strategy exploits data that are typically outside government. It is premised on the fact that there exist in social science a number of important studies which bear repeating and which are sufficiently well-documented as to permit contemporary investigators to duplicate the measurement methods of the original study.

Duncan's own work in recent years has exemplified this approach. For example, in 1971, at his instance, the Detroit Area Study re-asked a number of questions originally asked in the 1950's. The results provide data on changes in the Detroit area with respect to the division of responsibility within families, changing racial attitudes both of whites and of blacks, changes in the religious participation of the population, and changes in the general level of optimism about the society (University of Michigan, 1972).

The most notable example of the replication strategy is the forthcoming replication of the 1962 Survey of Occupational Changes in a Generation, which will provide the first comprehensive trend data on the degree of inequality of opportunity in the United States and the changing importance of family background, education, ethnicity, and other factors in occcupational advancement (Featherman and Hauser, 1972).

The strategy of replication of baseline surveys is adopted by James Davis in an unpublished proposal for measuring social change by accessing and analyzing National Opinion Research Center surveys covering the past quarter century. Davis proposes to obtain baseline data, that is, historical and current measures of key sociological variables based on public opinion items as well as "hard" data on population characteristics; to analyze the data separately for different birth cohorts; and to employ the more powerful techniques now available for use in the analysis of multiway contingency tables to locate trends, constancies, tendencies toward polarization in the population, and tendencies toward homogenization. Conceptually, he expects to organize the data in terms of a model representing the life cycle of the individual.

Demographic and Social Accounts, and Models of Social Systems and Subsystems

A number of investigators are working on models of various aspects of the society. Work of this character was represented by several papers at the conference held last July at the Russell Sage Foundation, the proceedings of which are being edited and will appear in a book being edited by Land and Spilerman (Land and Spilerman, forthcoming). Land's 1971 work on divorce is of this character, and his 1972 paper provides a guiding framework for the development of many kinds of models.

Elsewhere, Professor Richard Stone has elaborated and recently published a proposal for a system of demographic accounts and demographic models (Stone, 1971). His work represents an application of input-output analysis to the description of the processes by which people move into and out of various significant social states as well as into and out of the population. In the case of demographic accounts, the inputs and outputs are numbers of people.

Taking Stone's work as a point of departure, Coleman and an associate have been employing the scheme as a basis for hypothetical experimentation on the effects of social process (Coleman, 1972). Coleman raises a range of questions having to do with the achievement of occupational status by blacks. He investigates these questions by working with a set of matrices stating the movement of black males and white males into and out of school, into and out of the armed forces, into and out of white collar work and into and out of blue collar work. The analysis permits the quantification of judgments about the relative impact on the ultimate occupational distribution of black males, of black-white differences with respect to age at school leaving, participation in the labor force, and mobility rates out of as well as into white collar jobs.

Subjective Indicators of the Quality of Life

Current research on subjective indicators of the quality of life was the subject of a conference convened by the Institute for Social Research, University of Michigan, in November of 1972. The citations which follow refer to abstracts of these reports available from ISR (Institute for Social Research, 1972).

Research reported includes work to measure levels of satisfaction and sources of satisfaction in several domains of life including housing, community, nation, friends, family, marriage, health, job, spare time activities, and financial status (Campbell, Converse and Rodgers). In addition to general surveys of life satisfactions, research was reported specifically with reference to the relationship between economic behavior and subjective well-being. Some of the work stems from the tradition of research on consumer behavior (Strumpel and Gurin). Some of it stems from a new concern with the quality of working life. Here we find programs to measure workers' subjective evaluation of the working environment, including such subjects as earnings, time required to get to work, variety of tasks available on the job, behavior of supervisors, promotion histories, and so forth (Seashore, Kahn, and associates). Initially, this work is attempting to find out the impact that the subjective evaluation of the working environment has on a person's general feelings and his attitudes toward work. It is expected that the consequences of subjective states for worker behavior will also be examined. And finally, it is expected to study the relationship between the work environment as measured by objective observers and the subjective evaluations by the workers themselves.

Racial prejudice, political alienation, and changing women's roles are other areas in which work is going forward to develop subjective measures of the quality of life (Shanks). Some studies may use Census data for local community areas in combination with administrative data on the delivery of services (such as policemen on the beat) and household interview data on citizens' subjective views of the government services they receive or fail to receive. One such study is being conducted in Los Angeles (Grigsby). Another in New York City is designed to measure over time the effects of the experimental decentralization of city government services (Barton). Still another, being conducted in cooperation with six federal agencies, is designed to provide prompt, survey-based information on client reaction to agency services and to find out how citizens utilize agency services in their day-to-day problem-solving, in the context of other methods people use to solve their problems (Davis and Murray).

Commenting on the purpose of such studies, Campbell, Converse and Rodgers said, ". . . quality of life is a function not only of the objective characteristics of a person's situation but also of his expectations and aspirations. It is because of this assumption that measures of material welfare are deemed inadequate unless supplemented by subjective measures of life quality; satisfaction might be found to decrease even as per capita GNP is rising."

We believe that the work reviewed here, and other work that we have not had time to touch on, provide the basis for far better and more comprehensive knowledge and understanding of social trends than we have had to date.

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A Progress Report on Social Indicators—in the United States and Internationally

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The proposal that there should be an annual Social Report, comparable in some ways to the Economic Report, has three times been placed on the agenda of the Senate, by Senator Walter Mondale of Minnesota. The Bill now called, The Full Opportunity and National Goals and Priorities Act (S. 5), has three times been the subject of extensive and useful hearings. The Bill has twice been approved in committee and by the Senate, but not by the House. It has had two successive administrations of opposite parties praise the idea and reject the Bill, with some of the main discussants changing sides as well as office between debates, opposing the Bill while in office and supporting it when out. Freed from the constraints of office, they readily expressed the need for comprehensive national social reporting, perceived while carrying the burdens of office.

In spite of this lack of legislative favor and this conceptual underdevelopment, some work on social indicators has persisted in the U.S. Federal Government through two administrations since 1967 to this day. The focus of this work has remained remarkably consistent and represents one of the three main intellectual threads discernible in the multiplicity of work carried out on the subject of social indicators. It is shared to a large degree by most of the governmental work going on elsewhere, both in national governments and in international governmental units, and by only a few of the private groups.

The work of the French Government (in the Commissariat du Plan) actually pre-dates the work in the Department of Health, Education and Welfare (HEW). A draft which I have seen is unique in including consideration of how much aid a rich nation should contribute to poorer nations.

After our work in HEW, which culminated in that now much-criticized, yet highly-praised path-finder, *Toward a Social Report,* had died down, social indicator work appeared to be doubly reborn in the White House in *Toward Balanced Growth: Quantity with Quality* in a single volume in 1970, and in the statistical work still under way in the Office of Management and Budget.

Social indicator work is also being carried out by the British, who have published three successive volumes of *Social Trends*; by the German Government; by the Japanese, who became forcefully aware of the social costs of their economic miracle, and who probably realized the desirability of making the rest of us aware of them, and, as we can read in the adjoining paper, by the Canadians.

The Japanese plans are unusual in that the general category of Justice or Public Order and Safety has been interpreted in terms of industrial safety, safety on the highways and in manufactured products in the home. American government work has been unique among the nations with the interpretation of justice, law and order in terms of concern for personal safety. In other words each country has developed a slightly different set of indicators to reflect its own problems and its own efforts to solve them.

There is, however, considerable similarity in the areas of concern, or the chapters into which social indicator work is divided by the several governments, if not in the indicators themselves, nor in the capacity of each country's statistical system to develop the desired indicators. All governments working in social indicators include (though not necessarily with these exact terms): (a) health, (b) learning, science and culture, (c) income and poverty (or command over goods and services), (d) justice, public order and safety, (e) the physical environment, a mammoth topic including housing, and transportation, and pollution, and resource management. (f) Later work tends nowadays to include social aspects of employment, though no-one has satisfactorily determined how to have national social indicators of job satisfaction. As a result of this "new" topic, leisure is now contrasted with work, instead of with income, and so the general discussion of allocation of time is now discussed in the employment context.

Most of these groups have expressed an interest in, but have found well-nigh intractable, the wide general area of inter-relations between groups in society, including class and race relations, alienation, unrest, participation, and social opportunity. Officials of several Latin countries indicated that they regarded these topics as the most important in the whole field of social indicators. Crucial though they are, these areas are the weakest not only in the development of indicators, but in the formulation of areas of goal concern, and in the formulation of exactly what the problems are. This general subject was also the weakest in the preparation of *Toward A Social Report*. The diversity of views was so great among the panelists working on the subject of alienation and participation that, it will be recalled, all discussion of goals was abandoned in that chapter in favor of a discussion merely touching on problems.

This common approach of governments to the subject of social indicators is not confined to the industrialized countries. In the last year, the United Nation's Economic Commission for Asia and the Far East held two conferences for its members on the subject of social indicators. The topics were similar, the only difference was that discussion of them was couched in terms of the social problems which accompany the major goal of economic development.

Within the United States, there has been some shift in emphasis. The two early governmental studies, both published in the waning days of an administration (both the *Commission on National Goals,* and *Toward a Social Report* were, I believe, published between election and inauguration days) have discussed social indicators as closely related to goals, the achievement of which would improve the quality of our lives, usually by means of the diminution of the severity of the problems measured by the social indicators. Examples would be: days of healthy life free of bed disability, and reduction in the urban citizen's risk of being mugged.

Among the stated virtues of this approach to social indicators was that a comprehensive survey of our social ills and achievements was to be summarized in one report, drawing attention to problem areas which had been previously overlooked. With its implicit policy implications, there is some analogy between a Social Report and the Economic Report of the Council of Economic Advisers. The analogy is limited, however, since the Council's report tends to emphasize certain problems and to indicate a possible policy choice. The mood of the country has changed as we have found the social problems much harder to solve, and there are enough of them visible without drawing attention to those unnoticed. The very comprehensiveness of a social report is a hazard, since it implicitly raises hopes that the right policies could remedy the problems, without emphasizing the fundamental points of economics that resources are limited, choices have to be made from the array, and among them there may well be harsh trade-off terms, as we have come to appreciate them among the possible goals of economic policy. These reasons explain, I believe, why it has been wholly natural to shift to a much more neutral approach to social indicators.

U.S. Government work on social indicators has now shifted to the very useful purpose of examining presently available statistical series to see how far they can function as social indicators, and to see what are the important omissions. This work is being undertaken in the Office of Management and Budget and is expected to be published in mid-1973. The chapter with which I have been associated, that on employment-related social indicators, has a vast array of indicators of conditions of work, risk of unemployment to different population groups, and accident rates, but shows that we do not have adequate measures of the degree of opportunity for advancement, nor suitable social indicators of job satisfaction.

In place of goals, relatively simply stated, we have collections of statistical series grouped into "areas of goal concern." There is still a concern with improving the quality of life, and with the implicit relation to policy. But by the very quantity of the series we would not expect to be able to improve performance in all of them, and so by implication a selection has to be made from the abundant menu of choices. Thus, this statistical approach is both more neutral toward policy and more realistic. If the analogy was to the Economic Report, the analogy has now shifted to the research arms of Commerce and Labor, such as the Bureau of Economic Analysis and the Bureau of Labor Statistics, and to their economic indicators.

This policy-neutral approach has also been adopted by two of the international organizations. The Organisation for Economic Cooperation and Development hopes to complete the first stage of its work on social indicators shortly. It has concentrated on the development of a detailed listing of social concerns grouped into major areas, which could be used in the development of national systems of social indicators by any of the member countries, and for international comparisons.

For the U.N. Conference of European Statisticians in Geneva a very elaborate system of detailed indicators was developed, entitled "A System of Demographic, Manpower, and Social Statistics: Series, Classifications, and Social Indicators." Member countries were then called upon to complete the system, and fill in the empty boxes, by providing the necessary data. My office was brought in mainly for one section of this response. U.S. manpower and demographic data are relatively plentiful, nevertheless, there were a number of areas which we were unable to complete. Assuming other sections and member countries shared similar problems, I question whether such a degree of fine elaboration serves a useful purpose at the international level, other than as an intellectual exercise.

So far my discussion has been confined to governmental work on social indicators. Some private social indicator research groups share the same concern for the development of problem and policy-related indicators expressed as statistical time series. At the other extreme from the complex elaboration of the U.N. Statisticians lies the work of the Urban Institute. The Institute's work uses what I would term the "proxy approach." For each of 14 areas they have selected one available statistical measure, which acts as a proxy for all the rest, for example, one education measure, and one crime measure, and have calculated these for 18 large metropolitan areas. They are thus able to produce rapidly, inexpensively and understandably, a simple comparative measure of the "quality of life" in these 18 cities. This interesting development of local social indicators has also been the task of the Midwest Research Institute for 9 areas for 50 States, and of several individual States, notably the State of Michigan.

In spite of slight shifts over time and between groups, all of the work described so far relates social indicators to goals or goal concerns, to problems, to policy for the solution of some of them, and to the development of measurements of aspects of goals, or of problems. It thus represents one of the three, main, conceptual approaches to social indicators. Both of the other approaches have emanated from the Russell Sage Foundation, and one of them is closely associated with one of the authors, Dr. Eleanor Sheldon, of the paper following this one. Since I have discussed these views elsewhere at some length, they will be treated somewhat briefly here. In the major work, *Indicators of Social Change,* which Sheldon and Moore edited, social indicators are treated as measures of social change, and a great deal of valuable material is presented. This work thus fits into the body of sociological, statistical work. It would not, to my mind, provide adequate guidance to the would-be follower as to what social change should and what should not be included as a social indicator.

The third, important, approach to social indicators research is embodied in the work of Kenneth Land, also of Russell Sage. In his work, a social indicator must form a part of a system in which there is theoretical understanding of the operation of the indicator over time. This places social indicators firmly back in the body of sociological theory, with the consequence that all the weaknesses and lacunae of present-day sociological theory are shared by social indicators. If the social change view of social indicators were so wide as to give no guidance for the next step, this theoretical model view of social indicators is so restricting that it would leave the cupboard almost entirely bare of social indicators. It seems to me that this represents one of the ideal goals of social indicators of the future, and also of sociological theory in the future.

Having been programmed by the title of this paper to emphasize the social indicator work of governments at home and abroad, I am unable here to do more than mention the salutory wealth of different studies funded by private foundations, by the National Science Foundation, and by commercial firms in the course of other work, and, for example, by some banks, for their communities. I am forced to omit discussion of the social accounting approaches of the National Planning Association's work, and of the National Bureau of Economic Research, and prevented from discussing the importance of the study of the values of people in work as disparate as that of the University of Michigan, and the Gallup Institute.

From the earlier remarks above, it will be clear that if the reader is concerned with social indicators as providing a menu of possible policy alternatives now, he will find that another economic analogy is appropriate, namely that of the early development of economic indicators. The highly empirical work of the National Bureau proceeded quite independently of the theoretical work on national income, with which it subsequently meshed. The development of social indicators will be still more difficult, because all the major areas of concern will, presumably, develop their own theoretical frameworks. As a consequence it seems reasonable to conclude that in spite of the considerable volume of work going on concerning social indicators we still have a very long way to go yet to the development of satisfactory social indicators.

A Progress Report on the Development of Social Indicators at Statistics Canada

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Introduction

Statistics Canada has become aware over the past few years of the need for a more systematic and more explicitly integrated development of social statistics. Late in 1970 a new staff on central integration was created. Research leading towards greater integration as well as towards an increased tempo of development of social statistics, together with the initiation and development of work relating to social indicators, were part of the functions assigned to this staff. In 1971, an interdepartmental committee was formed both to assist Statistics Canada in the development of social indicators and to generally act as an information medium on social indicators work at the federal government level.

At the same time, international interest in this work also quickened and both the Statistical Office of the United Nations and he Secretariat of the OECD created working groups on social indicators in which Canada became a participant. While the OECD work restricts itself to social indicators as such, the U.N. work is much broader and is an attempt to construct a system of socio-demographic statistics (SSDS) out of which a goodly number of social indicators will flow. At Statistics Canada, we had also begun work on the SSDS at about the same time. We realized very early, however, that to proceed from the SSDS to the development of social indicators would take too long and it was therefore decided that work on social indicators should take place parallel to and contemporaneously with the development of the SSDS.

By the summer of 1971, a number of other conclusions which gave direction to the social indicator work had evolved.

1. A consensus developed that it would be more efficient to proceed from an existing national system of social indicators to an international framework rather than vice versa.
2. It was agreed that there did not exist—nor could one predict within a reasonable timespan the creation of—an overall theoretical framework within which to develop social indicators.
3. Work on the social indicators was, therefore, started in a very pragmatic fashion and the first step in this work is the culling of the pres-

ently existing social statistics data base to utilize it for the creation of a compendium of social statistics.

A Compendium of Social Statistics

In more detail, the objective of the planned compendium of social statistics is to provide a set of social and socio-economic statistics which illustrate in broad strokes some salient trends in Canadian society. It is hoped that this work will focus discussion on measures of individual and collective wellbeing related initially to presently available data; at the same time, the work should furnish the base from which Statistics Canada, together with its users can explore the further expansion of these measures. Clearly there are no conceivable direct measures of the rather nebulous concepts of wellbeing and indirect approaches which highlight specific aspects will be required to make this abstraction more meaningful.

A pragmatic approach is employed for deciding which series merit inclusion and which should be excluded. Availability will be a decisive factor in the initial publication. The bulk of the data will be from Statistics Canada, but some series will be derived from other sources, such as Central Mortgage and Housing Corporation, Department of Labour, etc. We are also not adverse to including incomplete data (specific to location, once only information etc.) if they are relevant and indicate the direction of further development. The overall emphasis will be on statistics of individuals, their passage through the life cycle and their relationship to institutions and the environment.

The publication is experimental, in the sense that this is an initial statistical probe into the difficult area of socio-economic phenomena and we, therefore, expect reaction on both the commissions and omissions, in the light of which subsequent publications will be modified. It is unlikely that a stable format will emerge until a number of these publications have been issued.

Characteristics of data in the Compendium

The data will have most, if not all of the attributes described below:

1. Emphasis will be placed on time series data. "Single event" information might be included if it is considered highly relevant or the start of a time series. The timespan will be largely confined to the decades of the fifties, sixties and seventies—although we expect that some of the highly aggregated and wellknown series may stretch back further, e.g., series on longevity.
2. Particular attention will be focused on the distributive aspects of national aggregates. Wherever possible, special consideration will be

given to identifying the sub-group of the population which reveal what might be termed unsatisfactory conditions.

A partial list of distributional characteristics is as follows:

1) Age, sex, marital status, ethnic group, family size
2) Rural, urban, region, province
3) Income group, occupation, education level

Naturally the ability of classifying data to the above categories is dependent on the availability of the information. The exercise of identifying the sub-groups may in part reveal important shortcomings in a large number of existing social and socio-economic series.

3. The series selected should be sensitive to present and possible future areas of concern, e.g. 25 years ago we probably would have included a series on V.D. in our health indicators; 10 years ago we might not; today the increasing incidence of V.D. makes it a candidate for inclusion both as a statistic on a specific disease which causes concern and perhaps also as an indicator of a change in sexual attitudes (?)
4. Although it is generally agreed that for social indicator purposes, output indicators are preferable to input indicators, it must be emphasized that in many areas of social concern such output indicators are neither statistically developed nor conceptually defined, and, therefore, input or cost data will have to be used as a surrogate measure of output in the first eclectic approach. Perhaps one should use the term result indicator rather than output indicator. Generally speaking in economic statistics when we speak of output or input indicators we speak of let us say number of patient days or students graduated vs. the cost of running the health or educational institutions involved. When we speak of output indicators in the present context, we mean the degree of health or education people have obtained. This involves an input on the part of the individual thus treated or educated and to indicate the inclusion of this non-economic input I suggest the term "result indicators." On the other hand, it may also be stated here that one should not permit the pendulum to swing too far the other way and neglect input indicators altogether. Input indicators though they may not relate to results are closely related to the priorities which society as a whole places on the social concern in question. Nevertheless, research on the formulation and quantification of outputs and results is urgently needed.
5. As a first approximation many of the concerns will be illuminated by proxy indicators rather than by direct indicators because the phenomena to be evaluated are not capable of quantification, concepts are lacking or data must await statistical development.
6. Overall or comprehensive data rather than details will be emphasized.

Subject Matter

Our present preliminary list of subject matters or areas of concerns is (not necessarily in that order) as follows:

1. Population
2. Health
3. Education
4. Income and Expenditure
5. Welfare and Social Security
6. Labour Force and Employment
7. Justice
8. Housing
9. Environment & Urban Statistics
10. Leisure

Since we do not have too many data in the areas of social mobility, participation, alienation etc., we will have to content ourselves with a miscellaneous chapter to touch upon these topics.

This list of subject matter is very similar to both the work outlined by such international agencies as the U.N. and the O.E.C.D. as well as statistics in these fields produced by other economically advanced countries. In addition to these topics we, therefore, plan to have several chapters dealing with uniquely Canadian areas of concern. Thus, in addition to demographic data we will emphasize the areas of *ethnicity* and *multiculturalism*. Cross classification by ethnic characteristics of such variables as income, education, religion etc. will show the mosaic which is Canada. The strength of ethnic identification and its multicultural aspect can be shown by the prevalence of ethnic language publications, schools, clubs etc. Commitments by people of time and resources to such activities and institutions can also reveal changing patterns of association and acculturation. Although the problems of our native peoples could be viewed as a suc-topic of the above, we think concerns with and of *Indians* and *Eskimos* is such that it deserves special emphasis, and a similar argument can be posited for singling out the area of *biculturalism* and *bilingualism* as another specific Canadian subject matter. Under the heading of *immigration* we find a concern of government policy as well as a problem of adaptation of individual immigrants to Canadians and vice versa. The concern of *national identity* and some of its resultant political concerns is another area which does not find a counterpart in many other countries. To what degree we will be able to illustrate these problems with as extensive data as we have in some of the more traditional fields is at the moment not too clear. We will, however, make a start and hope to increase and improve the statistical and analytical material in subsequent issues of the compendium.

The written analysis in each chapter will in the first compendium be rather restricted. We plan to introduce each subject matter area by briefly outlining the reasons for its selection. We will probably make a few remarks of what would constitute ideal indicators in the various areas and then continue with more comments—partly analytical and partly data evaluative—on the actual statistical material contained in the publication. Where possible, we will also give some indication of future statistical development. Technical appendices of definitions, source, identifications and lists of other available material will also be included.

To date, draft chapters in the areas of health and housing have been written and selection of indicators in the education and demographic areas is nearing completion.

The work to "clean" selected series, even though one is dealing mainly with published data and only to a very limited extent with new data, takes a surprising amount of time and resources. The preliminary selection of data in the other areas is also under way.

Source Material and Some Problems

The bulk of social statistics from which these indicators will be selected are derived from four basic sources: (i) Decennial Census of the Population; (ii) Household Surveys, (iii) Administrative Records and (iv) Surveys of Institutions.

The most detailed and comprehensive information on social intelligence is, of course, derived from the Census. From this source information is available on housing, and such population characteristics as demographic composition, education, employment, income and population movements etc. Furthermore, due to the comprehensive nature of the census records there is enormous scope in classifying the data in a variety of distribution characteristics, for example, geographic location, income and ethnic groups, education, occupation, age, sex, marital status are some of the possible permutations that can be derived from this stock of data. The main disadvantage of these data is the difficulty of deriving time series and, therefore, detecting social changes, except, of course, long run secular trends. Definitional changes, different sets of questions, and the problems associated with subjective responses are additional difficulties in utilizing the information for the construction of social indicators. All this, however, does not distract from the fact that the Census information will always provide an essential benchmark for the further development of social statistics.

Sample surveys are a more flexible medium that national censuses to derive information on individuals, families and households. Statistics Canada has a number of current household surveys on income, expenditure, and employment. The emphasis on these surveys has up to now tended to be on economic rather than social information. The interest in the development of social indicators has focused attention on a completely new set of information which attempts to measure such matters as participation of individuals in the community, the degree of social mobility in society, the effectiveness of the educational system to provide equality of opportunity and so on. Though a priori these appear as relatively straightforward questions, they are in fact very complex questions for statistical inquiry. The concepts must be defined in terms of measurability and this invariably leads one into defining conventions which are effectively surrogate measures for the ideal concepts. For example, social mobility may have to be defined in terms of changes in father-son occupation, though clearly social mobility is far more than simply an upward or downward shift in occupation. These conceptual issues will first have to be resolved before survey techniques can be utilized to probe into this new area of inquiry.

Administrative records and surveys of institutions are the main sources of information in the areas of education, health, social security, crime and delinquency, and the legal requirements for registration on birth, death, marriage and divorce provide the data for vital statistics. Some of the problems for the use of these data for social indicators are:

i. The statistics frequently do not possess the specifications required for social statistics as information is primarily collected for specific administrative purposes.

ii. They lack universality (except vital and to some extent education statistics) as they record only the characteristics of the population that pass through the institutions.

iii. The information tends to be "input" data, i.e. costs, facilities, number of people registered etc., rather than "output" data.

iv. Restructuring of organizations, changing attitudes to institutions, and changes in administrative classifications can have serious impacts on the statistics themselves without any fundamental change in the underlying social situation.

v. The jurisdiction of most of our basic institutions is provincial and this may frequently add to the difficulties of obtaining comparable data as organization, standards and classifications may differ from province to province.

Data Requirements

It is hoped that feed-back from the publication as well as specific demands by policy formulating departments will enable us to specify social indicators more precisely. This, together with continuing efforts towards the conceptualization of the so far only vaguely expressed desires to be able to quantitatively describe stages of individual wellbeing should result in the development of an expanded general statistical data base. For the present, however, it has already become evident that the individual and household surveys undertaken by Statistics Canada must be significantly strengthened and expanded in order to give us the information base required for the construction of a more powerful set of social indicators. It has also become apparent that the only meaningful statistical answer which can be rendered for certain social concerns must be sought via attitude surveys. The extent to which a central statistical government agency should go into the development of such surveys has not yet been thoroughly considered by Statistics Canada.

Other Work

Statistics Canada is, of course, not the only agency in Canada which is working on social indicators. Other federal and provincial agencies as well as academic researchers are actively engaged in this area. The very cursory survey of this work below is not meant to be an exhaustive enumeration of such efforts but merely to highlight some Canadian developments. Let me hasten to add that any ommissions are due to my ignorance or oversight and are completely unintentional.

At the federal government level, the 8th report of the *Economic Council of Canada,* entitled "Design for Decision-Making" contained a description and an evaluation of the whole area of social indicators and made very strong recommendations for the development of such indicators in Canada. The Economic Council is at the present continuing work in this field and is undertaking further research towards the development of social indicators in such areas as education, health and the urban environment.

The *Department of Health and Welfare* has also undertaken specific studies relating to youth culture, anomie and related topics which are in the process of being published.

A comprehensive study of the literature on social indicators was undertaken in the Department of *Regional Economic Expansion* and a collection of several hundred essays, articles, research proposals and reports was compiled into loose-leaf manuals of readings and completely cross-indexed. A monograph on social indicators entitled

"Social Indicators: A Framework for Defining, Measuring and Forecasting Quality of Life" has been written and is now being circulated internally.

The *Department of Labour* is sponsoring a two-day seminar in Ottawa in March which will explore the direction of future work in the measurement of the quality of working life. The department is also collaborating with the Administrative Behaviour Research Program at York University on a questionnaire designed to probe the attitudes and feelings of individuals with respect to their work environment, family and use of leisure time. It is hoped to obtain some diagnostic values for the analysis of industrial relations as a result of this research and such series might also, it is felt, be used as social indicators in the industrial relations field.

The *Treasury Board's* concern with program and policy planning and evaluation has led them to make certain tentative proposals towards the future development of social indicators.

At the provincial level, the former *Alberta Human Resources Research Council* produced quite significant work among which the published papers by L. W. Downey "Alberta 1971: Toward a Social Audit" and J. A. Riffel "Social Reporting in Alberta, Problems and Prospects" as well as a number of unpublished papers by, for example, G. J. Emery, D. Gray, M. W. Jackson and others may be mentioned (for details see the above cited report by L. W. Downey).

At the academic level, a seminar on Social Indicators, sponsored by the Canadian Council on Social Development took place in January 1972 and the proceedings of this have been published by the Council. The work at *York University* has already been touched on. Finally Professor Alex C. Michalos of the *University of Guelph* is working on a book entitled "Quality of Life"—which has the appearance of becoming one of the more definitive text books on the subject of social indicators.

V. ADAPTING JOBS TO HUMAN NEEDS

Quality of Working Life: National and International Developments

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Introduction

The long existing alienation at work and the apparent drive of technology have produced considerable despondency on the part of many. Many union leaders can see only flight from work through long vacations and early retirement. Managers and many government leaders see work as at best instrumental. Life in the work place is to be endured to support central real life needs outside. Too many (including business, union and government leaders) have accepted alienation as an unremitting concomitant of advanced industrial society about which little, if anything, can be done. They continue to concentrate on increasing material benefits. There are prospects for improving the quality of working life available through alternative forms of work organization. These have experimentally evolved over the past 20 years following the pathbreaking innovations in the British coal industry (Trist and Bamforth, 1951) * to which were added a few years later the innovations which show that there are many effective technological alternatives, some of which support high quality working life (Davis and Canter, 1955). These developments have proceeded unobtrusively until recently and are relatively unknown to any wide audiences although a rapidly growing literature is becoming available (Davis and Taylor, 1972). It is the purpose of this review to indicate how this knowledge may be put to use, who should act on it, and what actions are appropriate to the goal of improving the quality of working life. Space limitations do not permit a description of the significant experiments before examining what has been learned from them that enhances the quality of working life (Davis and Trist, 1972) (HEW, 1973). The costs and benefits, special problems for management and unions, the requirements for changing existing organizational forms, emerging public policy issues, and the role of government will be discussed.

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* See Reference List

Most of the developments derive from socio-technical theory which rests on two essential premises. The first is that in any purposive organization in which men are required to perform activities, there is a joint system operating, a *socio-technical system*. When work is to be done, and when human beings are required actors in the performance of this work, then the desired output is achieved through the actions of a social as well as a technological system. Further, these systems so interlock that the achievement of the output becomes a function of the appropriate joint operation of both. The operative concept is "joint," for it is here that the socio-technical idea departs from more widely held views—those in which the social is thought to be completely dependent on the technical system. The alternative concept of "joint optimization" is proposed, which states that it is impossible to optimize for overall performance without seeking to optimize jointly the correlative but independent social and technological systems.

The second premise is that every socio-technical system is embedded in an environment—an environment that is influenced by a culture and its values, and by a set of generally acceptable practices; and that permits certain roles for organizations, groups and people in them. To understand a work system or an organization, one must at least understand the environmental forces that are operating on it.

Socio-technical theory provides a basis for analysis and design overcoming the greatest inhibition to development of organization and job strategies in a growing turbulent environment. It breaks through the long-existng tight compartments between the worlds of those who plan, study, and manage social systems and those who do so for technological systems. At once it makes nonsensical the existing positions of psychologists and sociologists that in purposive organizations the technology is unalterable and must be accepted as a given requirement. Similarly, made nonsensical is the idea of the "technological imperative," the position of engineers, economists, and managers who consider psychological and social requirements as constraints and at best as boundary conditons of technological systems. That a substantial part of technological design includes social design is neither understood nor appreciated. Frightful assumptions, supported by societal values, are made about men and groups and become built into machines and processes—as requirements (Davis and Taylor, 1973). For these reasons, socio-technical analysis and design offer one of the best current approaches to meeting the challenge of enhancing the quality of working life.

Applications

There are about 100 known cases of various attempts to improve the quality of working life for which some data are available, even if incomplete. Undoubtedly there are numerous other cases which have never been reported. The reported cases come from various types of organizations, technologies, and jobs in the U.S. and Europe. The changes ranged from reorganization of entire factories, through departments, to individual jobs encompassing production and white collar workers, supervisors, maintenance craftsmen, chemical process operators, scientists, engineers, and traffic controllers.

Almost all the cases report improvements in various aspects of the quality of working life, frequently accompanied by improvements in organization performance.

What Has Been Learned

AUTONOMY, PERSONAL GROWTH AND PARTICIPATION

The cases indicate that types of organization structure, management methods and job content can be developed that lead to cooperation, commitment, learning and growth, abilty to change, high work satisfaction and improved performance. When responsible autonomy, adaptability, variety and participation are present, they lead to learnings and behaviors improving the organization and enhancing the quality of working life for the individual.

By autonomy is meant that the content, structure, and organization of jobs is such that individuals or groups performing those jobs can plan, regulate, and control their own worlds. Autonomy implies a number of things, among which may be the need for multiple skills within the individual or within a group organized so it can share an array of tasks. Also implied are self-regulation and self-organization, which are radical notions in conventional industrial organization. Under the principle of self-regulation, only the critical interventions, desired outcomes, and organizational maintenance requirements need to be specified by those managing, leaving the remainder to those doing. Specifically, situations are provided in which individuals or groups accept responsibility for the cycle of activities required to complete the product or service. They establish the rate, quantity, and quality of output. They organize the content and structure of their jobs, evaluate their own performance, participate in setting goals, and adjust conditions in response to work-system variability.

The cases indicate that when the attributes and characteristics of jobs were such that the individual or group became largely autonomous in the working situation, then meaningfulness, satisfaction, and learning increased significantly, as did wide knowledge of process, identification with product, commitment to desired action, and responsibility for outcomes. These supported the development of a job structure that permitted social interaction among jobholders and communication with peers and supervisors, particularly when the maintenance of continuity of operation was required. Simultaneously, high performance in quantity and quality of product or service outcomes was achieved. This has been demonstrated in such widely-different settings as the mining of coal, the maintenance of a chemical refinery and the manufacture of aircraft instruments.

The content of jobs has to be such that individuals can learn from what is going on around them, can grow, can develop, can adjust. Slighted, but not overlooked, is the psychological concept of self-actualization or personal growth, which appears to be central to the development of motivation and commitment through satisfaction of the higher order intrinsic needs of the individuals. The most potent way of satisfying intrinsic needs may well be through job design [Lawler, 1969]. Too often jobs in conventional industrial organizations have simply required people to adapt to restricted, fractionated activities, overlooking their enormous capacity to learn and adapt to complexity. (Such jobs also tend to ignore the organization's need for its workers to adapt.) In sophisticated technological settings, the very role of the individual is dependent on his adaptability and his commitment. With nobody around at the specific instant to tell him what to do, he must respond to the situation and act as needed. The job is also a setting in which psychic and social growth of the individual should take place. Blocked growth leads to distortions that have costs for the individual, the organization, and society. Where the socio-technical system was so designed that the necessary adaptive behavior was facilitated, positive results in economic performance and in personal satisfaction occurred at all levels in the organization.

Man, surely, has always known it, but only lately has it been demonstrated that part of what a living organism requires to function effectively is a variety of experiences. If people are to be alert and responsive to their working environments, they need variety in the work situation. Routine, repetitious tasks tend to extinguish the individual. He is there physically, but not in any other way; he has disappeared from the scene. Psychologists have also studied this phenomenon in various "deprived environments." Adult humans confined to "stimulus-free" environments begin to hallucinate. Workers may respond to the deprived work situation in much the same way—by disappearing (getting them back is another issue). Variety in industrial work has been the subject of study and controversy for 50 years. Recently, considerable attention has focused on the benefits to the individual and the organization of enlarging jobs to add variety [Davis, 1957; Herzberg, 1966].

There is another aspect of the need for variety that is less well-recognized in the industrial setting today, but that will become increasingly important in the emergent sophisticated technological environment. The cyberneticist [Ashby, 1960] has described this aspect of variety as a general criterion for intelligent behavior of any kind. To Ashby, adequate adaptation is only possible if any organism already has a stored set of responses of the requisite variety. This implies that in the work situation, where unexpected things will happen, the task content of a job and the training for that job should match this potential variability.

Participation of the individual in the decisions affecting his work, participation in development of job content and organizational relations, as well as in planning of changes, was fundamental to the outcomes achieved in many of the cases. Participation plays a role in learning and growth and permits those affected by changes in their roles and environments to develop assessments of the effects.

Systemic Properties

Beyond all this is the total system of work. In the cases, when tasks and activities within jobs fell into meaningful patterns, reflecting the interdependence between the individual job and the larger production system, then enhanced performance, satisfaction, and learning took place. In socio-technical terms, this interdependence is most closely associated with the points at which variance is introduced from one production process into another. When necessary skills, tasks, and information were incorporated into the individual or group jobs, then adjustments could be made to handle error and exceptions within the affected subsystem; failing that, the variances were exported to other interconnecting systems. (In "deterministic" systems, the layers on layers of supervisors, buttressed by inspectors, utilitymen, and repairmen, etc., absorb the variances exported from the workplace.)

Implications for Management, Unions, Government

The most important learnings coming from research on quality of working life have implications for leaders of business and industry, union and government. Some of these will not be easily accommodated for they require a fundamental rethinking of roles of men in employment organization and concomitant modification in organization, management, labor contracts and government regulations.

Some of the learnings and tentative conclusions are directly contrary to cherished beliefs widely held at all levels of our society. Undoing widely held beliefs does not occur very rapidly which is another reason for slow progress made to date. The most significant learnings and their implications can be stated as follows:

1. Productivity-efficiency vs. quality of working life:

Productivity/efficiency vs. quality of working life is in itself an inappropriate concept. They are not opposite ends of a continuum but are on two different scales. Enhancing one does not necessarily require diminishing the other. Under appropriate organization structure and job design experience shows that both are positively related, i.e., both increase together.

2. Coercive regulation and control by management:

Coercive regulation and control of people begets more coersion. Planning and measuring to achieve and maintain coercive or repressive regulation and control of an organization's members trap both managements and unions. They are forced into dead-end situations having no options for development of suitable social as well as technical organizations. Urgently required are new and additional ways of measuring outcomes where the social system and its members are considered as resources as much as the technical systems and its parts are now.

At national as well as company level, the incompleteness of economic theory, and supportive accounting systems, relegates these concerns to "externalities" removing them from organization design and the management decision process. The effect has been inhibiting to considerations of the quality of working life.

3. Flexibility of Technology:

The indications are that the opposite of technological determinism is the reality. Results of socio-technical design of factories with sophisticated technology indicate that there is more than enough of flexibility on the technological side to suit social system requirements for a high quality working life. Of course, there are limitations, but the full constraints are not known because almost everywhere engineers are asked to look at and design the technical system independently of any other considerations. Lordstown is a classic case in point.

4. Quality of working life at the workplace:

Self-regulation and control at the workplace through autonomous or semi-autonomous jobs and groups yield high levels of satisfaction, self-development and learning, and higher performance in output and quality. They form the basis for further organization design to reduce the repressive and coercive character of organizations and the resulting alienation.

5. Application of learnings:

In all instances where substantial enhancement of the quality of work life has taken place, it was preceded by a rethinking of management "ideology" about how organizations and individuals work. The ideology of the first industrial revolution regarded man as unreliable, unmotivated and narrowly responding to economic inducements. Men were spare parts in organizations and in society. This ideology has had to be reassessed and changed. Though spurred on by the requirements of the second industrial revolution this reassessment is a slow process and a large undertaking.

ACTION REQUIREMENTS

Support is required at nationwide level to provide demonstrations, allow "sheltered experiments" to take place and disseminate learnings. Government should aid by supporting a new paradigm for productivity, allow relaxation, under controlled conditions, of wage and hour laws, provide national "social indicators" on quality of working life, and not least, as an employer begin to redesign its own organizations to set precepts.

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"An Organization of People"

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In preparing notes for this presentation, I came across a report on the popularity of the 4-day work week (already receiving competition from the 3-day work week in certain areas). Linking this with the decrease in the number of hours worked per week over the last 20 years, I wondered if this was not the start of a further decline of the length of the work week. If this is so, are we losing the battle of work against leisure time and then to what extent is it still worth spending time and effort to adapt jobs to human needs?

On the other hand, I was struck recently by various surveys conducted in our province among youths showing a persisting interest in work and jobs. Also I guess that the present drive for an improvement in the quality of life must extend itself to the work life or at least to what is left of the work week. On top of that, I realized that management and staff people, in many organizations, do work longer hours and that as far as other employees are concerned, moonlighting is picking up. So I guess we are still safe in spending a few hours, today, examining this problem of adapting jobs to human needs. And though this problem is not new, I must confess that, even with a much better work done by scholars in the field, it still presents as tough a challenge as it has in the past. We may have come a certain way from "The Organization Man" of Willam Whyte but we still have very far to go.

I will open the gist of my remarks by proposing mostly a way to analyze the various elements of this problem. In other words, we must describe more clearly what we are trying to match, namely job requirements on one hand and human needs on the other. I will follow thereafter with a few questions regarding certain basic assumptions usually underlying approaches to the solution of this problem. And finally, I would like to elaborate, more specifically, on some of the roadblocks challenging our desire to innovate in this field.

If I am permitted to draw on my engineering background, I would like to point out that this need of adapting jobs to human needs can be looked at as trying to equate or match two elements of a proposition, that are "jobs" and "human needs". On the "job" side of the equation, we find, of course, the requirements or the needs of the organization. Let's look at them briefly. The type of business or services, that is the main concern of the organization, naturally has a direct bearing on the type of occupations and their professional content, that do compose the large number of jobs offered to individuals by an organization. Sometimes from an organizational standpoint, technology and/or processes used will have an influence on the possible boundaries of a job or on the mix of tasks that it is possible to amalgamate to form specific jobs.

You will undoubtedly point out to me and with much reason, that any organization has its large amounts of so-called service functions, whether it be personnel, accounting, finance, etc., that are similar from one organization to the other. But I must retort back that environment varies though and provides for much diversity between different organizations. One may like collective bargaining within industry to the point where he may not be at ease carrying on similar functions within government, for example. Some prefer large companies, others small ones. We could go on and add many more similar examples, but I think you will agree with my point that tasks alone cannot be solely considered in this equation.

Environment also, of course, comprises among other elements, values, management styles, past history, that all strive to shape the organization's personality. The individual must perform his task but he must also relate with others within the organization. He must possess also a certain "social quotient".

On the other side of this equation when we write "human needs", we think of the employees, that is, the individuals working within the organization. But we must not forget, by the same token, the unions that do represent, and speak on behalf of the employees on certain subjects, whenever they do exist in a particular organization. On the employee side, we can assume that he has professional or occupational interest related to the content of the various jobs offered within the organization. But, he also has more personal needs that are not necessarily tied to the nature of his work but are bound to influence the type of environment he will require to perform best. Let's mention briefly needs to innovate, to perform meaningful work, to belong to a group, to participate, to obtain certain monetary rewards, to secure some protection from the hazards of life, etc.

A few words on unions are deemed necessary here. I bring this point up because too often some management people tend to forget, in some of their decisions concerning job design, working condition determination, among others, the need to analyze the implication on unions' affairs of these decisions. I don't mean to say that management is there to cater solely to union needs, but it must recognize that they have needs of their own and be prepared to assess them fully before taking a specific course of action.

Actually, the main challenge stemming from this approach is to manage a dynamic balance between needs of the organization on one hand and those of the employees on the other and I like to think that this is the case with any type of organization whether it be a company, civil service and even a trade union. No one will quarrel with me, I think, on the emphasis I am putting on the dynamic aspect of this balance. In fact, no good organization is static and so it goes with individuals. They both shape their needs in accord with their environment and their own evolution. A young growing organization has needs that are different from those of a more mature one. It must establish itself, it must prove its validity in the early days of its existence, it must acquire a certain stability and then protection needs arise and then jobs have to relate to this new emerging need. Moreover, the purpose of the organizaton translates itself quite often in end products, whose content varies, requiring the use of new technology, new organizational structure, which in turn, do influence the job content.

Similarly, with individuals, as they progress in life, the nature of their needs change. An employee at age 27 with 2 young children for instance has needs different from those of an employee at age 40 with 3 youths going to college or university, owning a house, possessing a good 15 years of experience in the labour market, and starting to pay more attention to pension requirements. To add one more dimension to this, the needs of a workforce whose average age is 40 today, vary from those of a similar workforce 25 years ago when one had to pay for all health costs, all of education costs, except maybe elementary schooling, when there were no government pension plans, when unemployment insurance differed from what it is today.

This brief analysis sets the stage for looking now at some of the assumptions often cited in the field within the context of job adaptation to human needs.

The first one that comes to mind, is the capacity for an organization to offer to any individual, at any time, a job that will match, within reasonable limits, his needs of the moment.

I maintain that this is not possible because too many independent factors shape the needs of both parties at any moment in time. I am not saying that an organization should not strive to achieve the best possible match at any given point in time. But I would like to stress the fact that it must be open-minded enough to accept that sometimes an individual will have to pursue the fulfillment of his needs somewhere else. This, of course, rides on the need and possible benefits of mobility and also of a well laid out system of communication between the organization and the individual to exchange and modify needs to arrive at a balance suitable to both parties.

A second one has to do with the approach called "job enrichment", "job design", etc. I am referring here to the need for self-actualization on the part of individuals. I could best formulate my point here by questions that go as follows: "Is everybody looking for self-actualization at work?" "What about those who find it outside of the work place?" A recent study done by Dr. R. Sévigny of University of Montreal tends to demonstrate that only staff people find self-actualization, on an average, at work while middle class finds it within charitable and civic organizations, and finally, workers would find it with their hobbies. Research done in England a few years ago and reported by J. H. Goldthorpe, D. Lockwood, F. Bechhofer and J. Platt in their book "The Affluent Worker" did show that affluent workers in Britain would seem to find self-actualization with their family now. Can a man really actualize himself in many areas at the same time?

A few years ago, I asked a sewing machine operator how she could do repetitive operation all day long without finding it boring. She answered me that, while she was performing work almost mechanically, she was at the same time lining up her menus for the next day, preparing leisure time activities for the family during the weekend, etc. Would this woman have welcomed job enrichment?

Thirdly, and this is evident, one must assume an existing professional interest on the part of an individual toward the content of a job, to warrant efforts toward achieving a better adaptation of jobs to human needs. I doubt a man who is a would-be mechanic would make a satisfied clerk, no matter how hard one tries to satisfy his other needs.

I brought these three points mostly as thought-provoking ideas and to add more reality to the context within which these efforts of adapting jobs to human needs do take place.

Let's examine now some of the approaches we have more specifically tried within our company. I will first address myself to the so-called staff group to talk mostly of one end of the spectrum of jobs that would run along a continuous line from the lowest paid to the highest paid. Actually, it depicts jobs whose content is less directly tied to the process, or production line, and permit more geographical mobility and flexibility in work assignment. On this type of jobs, let me mention among others four types of solutions tried so far.

Firstly, we are now using extensively the well-known task force approach which permits a man to work sometimes in a field of activity completely different from the one depicted by his official title in the organization. Added to this is the informal role of consultant played by a manager in a field where he is an expert, on a personal basis.

Secondly, we are now trying what is called multi-promotional ladder system to permit professionals to pursue a rewarding career without switching necessarily to management jobs in order to gain more status, more money, etc. We are now starting to use in one of our plants three parallel career paths that are: management of operations, professional and management of professionals.

Also, we are experimenting with formal career planning to obtain the employee's inputs in programming possible staff movements.

Finally, we try, wherever possible, to shape job profiles along the profiles of the individuals available at a time of a reorganization, for instance. This goes along with the cabinet approach and the problems oriented type of organizational structures.

These approaches are not without specific requirements and problems nevertheless. In fact, we have found out that while they permit a better adaptation of jobs to human needs, they, at the same time, require to be fully effective, modified personnel systems in the fields of compensation, performance evaluation and even selection processes. On the communication side, they do require a high degree of inter-personal relations, high trust among members of teams and a high degree of openness as to the overall objectives of the organization.

On the implementation aspect, we are experiencing problems of maintaining, for some time on an experimental basis, sub-culture whose characteristics are quite different from the ones of the ambient majority culture. This takes special management skills to shield but not isolate, from the rest of the organization these experimental environments. No need to mention here the required change in values that have to go with these new organization set-ups.

Another difficult problem we are running into is the lesser marginal utility of an employee in a job he likes better than another that would yield a higher marginal utility for the organization. To illustrate, the organization has a need for 60% of a job in which an employee makes use of 90% of his natural skills while it would need 90% of a job in which he would only make use of 60% of his natural skills and obtain at the same time a lower degree of satisfaction of his own needs.

On the whole, we are finding that these sorts of approaches do require more long-term planning and more flexibility. This gives a better definition of needs both of the jobs and of the individual and at the same time provides more time to personnel movements. It does also require the acceptance of the fact that more than one man can be used on a given set of tasks at any given time. To further facilitate the use of these approaches, we are presently installing throughout our Canadian Smelters a system of "people planning" to identify our human needs and challenges on a 7-year basis. The main features of this system is that we are analyzing separately the company needs for people and the needs of our employees. As to these latter, we look at our employees both on an individual basis and on a group basis, including then their unions. We also do a full analysis of the socio-political environment as it may affect them in the future.

If we go now to the other extreme of our spectrum of employees, we are using some approaches that are similar, others that do differ.

Many years ago, within the Arvida Smelters, we used the approach made popular by our chairman this afternoon, socio-tech. This permits, as you no doubt know, a thorough analysis of all elements and groups involved in a given work situation to permit better planned changes. A section of a casting plant was chosen to go through a sheltered experiment. Union agreed to this procedure to permit fuller experimentation of team work, job rotation and a new pay scheme. The experiment was to last one year. Attitudes were measured before and after. It did last a year and proved that such a new work system could increase productivity and at the same time, find the favor of approximately 3 workers out of 4. We were not able to achieve all of our objectives due to too short a duration. Certain things, like new ways of participation for the union, could not be developed fully. The only shortcoming of this method has been the fact that people thought, that because it bore a new name, it was a panacea. Though as such, we had to slow it down considerably as such for quite a while on account of this unplanned expectation, we feel it was very useful to build a higher awareness for the human needs aspects of work.

In another of our plants in Kingston, we took time clocks out, gave quality control to the production workers to make them feel more responsible for their work and show them a higher degree of trust. Workers were also put on salary. We found at the same time it did cut down on absenteeism and raised the quality of the work done. The salary plan made workers managers of their own time and I feel that this is a feature most valued by everybody when one thinks of adapting jobs to human needs.

In many other plants, we are using the team approach on a machine whereby men do rotate from one job to the other according to a pattern they do develop themselves. In one of these plants, the men do rotate but for technology reasons, in one case, they are paid for what they do and in the other, they are paid for what they know. Further, in this plant located in Oswego, in the state of New York, though there is no union, workers do have a grievance procedure and can benefit from the help of what I would call a semi-works-ombudsman. Workers are on salary and have what amounts to a six month salary guarantee.

At our Shawinigan Smelter, we tried to bring formal union participation in the testing of a new major piece of equipment. The test was broken down into a series of steps and union participation was made to vary in content in each of the steps. Mainly, we did distinguish between three types of participation by the union. The first type was Information, the second was Consultation and the last was Decision. At each stage of the test, union knew exactly the rules governing participation. At no time, for instance, was the union invited in participating in the decision whether this piece of equipment was going to be used or not for plant operations. We felt it was not fair to involve the union in this aspect of the project.

At this same plant, recently we informed the union fully though of our plans regarding the implementation of this people planning system I talked about a while ago.

This tends to extend to all people working in a plant the same condition of trust and responsibility whether they are at one extreme or the other of the pay scale. These approaches do also require changed values, a lot of preparation and it must start with staff and management (foremen and general foremen) in the first place. From all these, we have learned that time is our best ally to bring about these changes. Management has to make up its mind—neither workers nor union will do this for management and it is not their duty—about the objectives it wants to attain, line up a strategy, be very flexible on tactics and more than anything else on time. The key thing is to allow people to understand the direction sought by management and have sufficient time to adjust their own life environment accordingly.

These are only a few of the experiments we are conducting or have conducted and I would like to emphasize very strongly the very empirical approach we have adopted so far. We make use of a lot of the most modern techniques and theories but not before we have adapted them to our own environment.

We feel also that there is a tremendous need for research in this field in the future because we are facing new environmental situations.

We still have to convert from a war type of economy where the threat is known and accepted by everybody to a peace type of economy in which a given standard of living translates itself in a high diversity of needs. We have to learn to manage diversity in peace instead of uniformity in war. This diversity is expanding, besides that, due mainly to affluence and in Canada, at least, to the fact that basic necessities of life, health, education, among others, are paid for under governmental universal programs.

We also face a looming battle between the organization and the individual through a switch on the part of loyalty. Now the job comes first and the organization second. We have to manage at the same time innovation through professional challenge, the organization being the provider of the environment required by the individual to innovate.

Let me terminate with two short citations to comfort our intellect. One is by Voltaire, the 18th century French writer, the other by Douglas McGregor. By this choice of authors, I am respecting the bilingual character of this country. Voltaire wrote then "I have traveled a bit; I have met people far inferior to me; I have met others far superior; but I have not met one who had not more desires than true needs, and more needs than satisfaction; I will reach maybe someday, the land without shortage of any kind; but up until now, no one gave me any hints as to the existence of such land." So job security for those involved in this task of adapting jobs to human needs seems to have been guaranteed for almost 200 years now, and my feeling is that the future holds a similar guarantee.

As for McGregor, he wrote that: "I believed . . . that a leader that operates successfully is a kind of an advisor to his organization. I thought I could avoid being a boss, but I could not have been more wrong." In this task of adapting jobs to human needs, somebody will still have to decide.

Some Selected Issues Surrounding the Subject of the Quality of Working Life*

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Issue No. 1. "A False Issue." I have no way of judging just how sincere or well-thought-out are the criticisms from government officials, corporation and union spokesman—and various academics—that there really is no issue at all in this domain of worker job satisfaction, discontent, etc.; that what we actually are witnessing is just another example of a topic manufactured by social science fiction writers, or by the mass media personnel looking for copy that will increase circulation sales, or interesting TV audience material.

I am not denying here the charge of frequent journalistic sensationalism and selective case-studies in the press and radio-TV. The news media were not designed to provide us with reliable knowledge about society; they report strikes, but not non-strikes; they report airplane crashes and hijacking, but not safe take-offs and landings. But must we throw out clean factualism with dirty over-dramatization?

How does one defend oneself against this form of know-nothingism or ostrich behavior? Let me try in only one way here: I do not believe—if I am properly informed—that the Soviet Union, for example, is known for having a private and censor-free system of television, radio, periodicals, and newspapers—with employees who manufacture out of thin ersatz cloth imaginary TV documentaries, printed accounts, etc., concerning work and its discontents.

If I am correct about the nature of Soviet mass media, why is it then that the few Soviet social science studies I have seen (in English) nevertheless report that certain kinds of jobs—especially among the new generation of workers—produce dissatisfaction responses, and that other kinds of jobs do not?[1] Similarly with Polish studies, again in a country that does not tolerate or allow "irresponsible" journalistic, mass media sensationalism.

This issue can be tied to another one, namely, that we are witnessing a phenomenon that is uniquely American, that if anything new or serious is happening in the world of work and its participants, it is happening only in the United States. However, many of us in communication with other industrial social scientists in Europe and Asia (actually, Japan) know better. Let me recommend your reading an excellent report on "Changing Worker Values and Their Policy Implications in Japan," by Shin-ichi Takezawa, Professor of Industrial Relations at Rikkyo University, in Tokyo.[2]

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* A longer version of this paper (11,000 words) is available through the author.

[1] For example, *Man and His Work: A Sociological Study* by A. G. Zdravomyslov, V. P. Rozhin, and V. A. Iadov, translated by Stephen Dunn (White Plains: International Arts and Science Press, 1971).

In discussing another issue later, I will also point to the Swedish experience.

Issue No. 2. "Who's More Alienated?" A most delicate issue involves a matter into which only fools like myself will naively tread: Do blue collar workers have more "blues" (never defined in general discussions) than other types of workers? Are they more alienated, etc.? I'm afraid that answers to such questions will depend on definitions, methodology, and the like—and these are as diverse, confusing and contradictory as a painting done by a retarded monkey with St. Vitus' Dance, one million paint colors and umpteen kinds of brushes and various and sundry other objects with which to apply the paints to the canvas.

At last year's IRRA meetings, a paper by Stanley Seashore and J. T. Barnowe was addressed in large part to this issue, and according to Seashore and others, he has proven that the "blues" are no greater among blue collar workers than any other occupational grouping in the University of Michigan SRC's national sample of 1,500 employed persons. That paper presented only statistical *means* and not percentages—which are two entirely different kinds of statistical concepts; and his definition of the blues is his own.[3]

The significance of the Seashore-Barnowe paper, as I interpret it, seems to have been missed by many readers of it (and readers of newspaper-magazine distortions of it). I refer to his confirmation of many other studies which—either directly or indirectly—stress the point that the *nature of the tasks and of the work environment*—not the gross demographic or occupational rubrics—are the loci of the relevant, specific, detailed concrete attributes that should be used as the independent variables when searching for the conditions, causes, and solutions of job discontent (or of inferior quality of work life). Seashore is not denying that negative job attitudes exist. Neither does his paper have anything to say about whether or not such negative attitudes—

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[2] Presented at the recent International Conference on the Quality of Working Life (Arden House, September, 1972), and will be published as part of the proceedings of that conference, under the editorship of Louis Davis and colleagues.

[3] For that definition, see the Seashore-Barnowe paper, "Behind the Averages: A Closer Look at America's Lower-Middle-Income Workers." *1971 IRRA Proceedings* and the critiques of that paper by myself and Basil Whiting, of the Ford Foundation.

over time—are increasing, decreasing, or remaining the same. Furthermore, I still think it critical to determine *who*, among blue collar workers, do have the "blues"—using any variety of empirical definitions and measurements.

The same group at the University of Michigan will be repeating in 1973 the 1969 study conducted for the Department of Labor (and which forms the basis of much of Neal Herrick's contribution to *Where Have All the Robots Gone?*), and perhaps the second round will provide answers to the trend issue, along with Herbert Parnes' 5-year longitudinal study for the Department of Labor's Manpower Administration.

Now let me provide some findings that may be an antidote to the pooh-poohing of the notion of "blue collar blues" or "alienation." The findings also contribute to the confusion that abounds. For example, in 1970–71, I asked nearly 400 white male blue collar union members the *same* question used in the University of Michigan 1969 study of all employed Americans (white and non-white, male and female, and covering the entire spectrum of hierarchy of occupations) —

> "If you were completely free to go into any type of job you wanted, what would your choice be—would you want the same type of job you now hold?
>
> Would you want to retire, not work at all? or
>
> Would you prefer some other job to the kind you now have?"

I found that among the blue collar males in my study, only 38 percent replied they would want to hold onto their current jobs, in contrast to 49 percent of *all* American workers surveyed by the University of Michigan. Here at least is one concrete empirical item, in my own opinion at least, on which there *is* a critical difference between blue collar workers and workers in other occupations.

Responses to *another* question also taken from the national survey by the University of Michigan and asked of the workers in my own project *again* points to the possibility that there *are* higher negative job attitudes among male blue collar workers than among employed people as a whole. This question asked about how well the worker's current job measures up to the kind he wanted when he first took it—(a) very much like the kind of job he wanted; (b) somewhat like the kind wanted; or (c) not very much like the kind of job he wanted? The ratio of (a) to (c) proportions in the homogeneous group of white male blue collar unionized workers was dramatically *lower* than the corresponding ratio calculated from the University of Michigan nationwide sample of all employed Americans. In the case of the latter, the ratio was approximately 5 to 1. But among the 371 white male blue collar unionized members, it was only about 2 to 1—thus indicating a much more disappointed group of blue collar workers, when compared to the nation as a whole.[4]

To add to this Tower of Babel atmosphere, the sociologist, Melvin Seeman (of UCLA), who has made a lifetime career out of studying what *he* defines as alienation,[5] *does* find a difference in certain forms of alienation between manual and non-manual workers, even when holding education constant—especially *work* alienation. The following table adapted from a recent report by Seeman[6] reveals percentages with high work alienation among American workers, holding occupation and education simultaneously constant:

	Low Education		*High Education*	
	Manual	*Non-Manual*	*Manual*	*Non-Manual*
Work Alienation (don't really enjoy work)	26%	12%	30%	6%

The basic point relevant for our purposes here today is that regardless of education achievement, manual workers are higher in work alienation than non-manual workers. A secondary point (for some observers, but not for others) is that the group with the *greatest* percentage with high work alienation is the high-educated manual workers; the group with the lowest percentage with high work alienation is the high-educated *non*-manual workers.

Do these discrepancies between (1) responses of the American workforce as a whole as interpreted by Seashore, and (2) the responses of my homogenous group of white male blue collar union members point without any shadow of a doubt to the greater prevalence of the "blues" or "alienation" among production workers? Do the differences found by Seeman in work alienation between manual and non-manual workers give us the definitive answer to this issue? I leave it to a higher authority than myself to answer such questions, wherever or whoever he or she might be. God knows, but He (or She) won't tell.

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[4] See Sheppard and Herrick, *op. cit.*, p. 73, footnotes 8 and 9.

[5] See his bibliography in his August, 1972, article in the *American Sociological Review*, "The Signals of '68: Alienation in Pre-Crisis France." The article contains comparative data on American workers.

Work alienation is measured by Seeman in terms of degrees of agreement with the following statement: "I really don't enjoy most of the work that I do, but I feel that I must do it in order to have other things that I need and want."

Five other dimensions of alienation are also reported on by Seeman:

Powerlessness—"There is not much that I can do about most of the important problems that we face today."

Meaninglessness—"Things have become so complicated in the world today that I really don't understand just what is going on."

Normlessness—"In order to get ahead in the world today, you are almost forced to do some things which are not right."

Cultural estrangement—"I am not much interested in the TV programs, movies and magazines that most people seem to like."

Social Isolation—"I often feel lonely."

[6] Ibid, p. 389. Perhaps not incidentally, Seeman found that work alienation (as he defines it) is *also* greater among the French manual workers than among the French non-manual workers—again, holding education constant. His major point in his article is that not only is this true, but that when compared to their American counterparts, Frenchmen's work alienation is dramatically higher.

Issue No. 3. Are There Any Solutions?" More important than the official and unofficial denials of the reality—or denials of the *significance* of the reality—of changing worker values and their reponses to the quality of their work environments is what companies, governments, and unions here and elsewhere are actually *doing* about these changes, and if not, why? Here I am also touching on the frequent assertion that yes, there *is* a problem regarding humanized work, but there isn't any *solution,* or if there is, the proposed solutions cost too much, etc. The fact that such institutions in countries like Norway and Sweden are *already* engaged in, or planning, new ways of designing workplaces (not only factories, but offices and other nonproduction work situations) reflects in my opinion, a new way of looking at work problems. We in America seem to be dominated in our conceptual outlook—and thus in our policies and programs—by a type of belief in technological determinism and a certain personnel philosophy that seems to be increasingly rejected in other societies.

We can point to a few exceptions, however, in our own country, but too frequently these exceptions are evaluated by the majority as too bizarre, or impractical, or as luxury practices, or as inapplicable to other work situations governed by the cynics.

But to return to the main thread, I am contrasting the prevailing American viewpoint with that of such vanguard countries as Sweden where, in addition to pursuing a positive manpower and economic growth policy, they seem to be acting in almost complete ignorance of the theory that you cannot muck about with the divinely ordained and created Machine. And since you *cannot* muck about with Technology, therefore you *must* not. And since you *must* not, any mere thought, any mere act implying the opposite is not only fantasy; it is immoral. But they seem to be rejecting classical Taylorism.[7]

The Scandinavians are going ahead and doing such sacrilegious things as doing away with the assembly line as we conceive of it. What is very confusing, however, is that these heretics are apparently actually *succeeding* in producing transportation vehicles under the names of Saab and Volvo—and at prices (this is the most unbelieveable and inexcusable sin of all) that even the middle class in countries around the world can afford.

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[7] See Georges Friedmann's critique of orthodox Taylorism in his *Problèmes Humains du Machinisme Industriel,* edited and co-translated by H. L. Sheppard under the title of *Industrial Society: The Emergence of the Human Problems of Automation* (New York: The Free Press, 1955, available in a 1967 paperback edition) especially Chapter I, "Taylorism and the Human Sciences."

Is it any wonder, then, that Servan-Schreiber could write a book five years ago, entitled *The American Challenge,* in which he was urging his fellow Europeans to copy the forward looking dynamic approaches of American business and industry—and that *now* five years later (in an October 18, 1972, interview in *Business Week*) is retracting his earlier position, and recommending instead that *we* and other European nations begin to take a look at Sweden as the ideal model; and stating, in effect, that America is moving toward becoming the retarded, undeveloping industrial-commerical society?

But coming back to the Swedes and Volvo, I have actually seen drawings of a not yet completed plant, which the industrial engineers have designed in such a way as to eliminate what we now call an assembly line.[8]

I don't know about the media exaggerators and the writings of the pop sociologists—to refer to a recent expression used by a high American government official—but let me quote several key sentences from a speech by the President of the Volvo Group, on June 19, 1972. It reveals some of the reasons the Swedes have begun to sit up and take notice; their refreshing eclectic philosophy; and some of the specifics that are often lost in vague press reports, as well as some of the implications for industrial relations problems. May I also suggest that much of the following applies to the current American scene, insofar as the *nature* of the problem is concerned.

> In Volvo today we need to recruit about one third of the whole work force to keep going every year.
>
> We need to have about one seventh of our total work force in reserve because of absenteeism. . . .
>
> Now, we have been able to master these difficulties so far and have been able to achieve our objectives for our production.
>
> We have a very good relationship with our unions and over the last twenty-five years we have only lost, in the group as whole, about one day due to strikes.
>
> For many years it has been said that capital is the bottleneck for a developing industry. I don't think this any longer holds

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[8] Also, see The *New York Times,* Sunday, January 28, 1973, "Companies Raise Role of workers," by C. H. Farnsworth, on European and Japanese efforts to "develop new work patterns to reduce alienation."

true. *I think it's the work force and your ability to recruit and maintain a good work force that does constitute the bottleneck for production.*[9]

We have costs for recruitment, we have costs for introduction [costs of taking on replacement employees] . . .
to maintain the work force. *It's harder and harder for us to attain an increase in productivity.*

Conditions of work are being questioned today where they weren't ten years ago. We know that we can look forward to shorter working hours and less enthusiastic jobs being performed in our factories.

We also know that we have ever increasing demands for rich job contents and better hygienic work conditions.

And, of course, to be able to have an economic growth in the future, we must solve the problem of making man wish to work in industry.

We know that many people within Volvo leave their jobs not because of the internal [job] environment, but because of the various kinds of strain that the society puts upon them. . . .

But we also know that quite a lot of people leave us because they can't find satisfaction in their jobs.

And no party within society has really until now given some priority to job contents and work environment.

Towards the end of this decade we estimate that about 90% of the youth of Sweden will go through college education. . . .

It's from these people that we have to recruit our labour force.

These people have different views, different values. What we call virtues are not their virtues.

Our basic thought is that the individual has a demand and a need to have an influence on his own work situation. *We have been experimenting with participation in the decision making in this Company. . . . and our experience is generally fairly positive.*

. . . industrial work has to be adapted to man and not man to machine and . . . this is a very vital point to make. We are achieving this not only by participation but also through job rotation, job enlargement and job enrichment.

[There] is a basic need for people to work in groups, to feel that they belong, to feel that they are appreciated for the job

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[9] All italics mine.

> they do. *This is . . . very difficult with the traditional layout. You can organize your work in many different ways and still maintain the assembly line.*
>
> Giving more participation to people within an industry requires *a new type of leadership*. . . . We have a whole core of foremen and leaders on the job who have been told what the virtues of the fifties and the sixties have been. A special type of layout, piecework payment, time studies. . . And I would say that perhaps our foremen in this Company will have the most difficult role to play in this period of transition.
>
> We will never be able to throw away investments that have been made, as long as they are technically satisfactory, but we will use time to make the gradual changes in present installations and introduce new concepts whenever we make a new investment.

This Volvo executive (Pehr Gyllenhammar) then goes on to tell his audience about the nature of their new engine plant and how they will introduce new work-task structures—including even the changes in the physical layout and physical environment. This is what I mean by the Swedish insistence on what might be called a "socio-technical" approach (or ergonomics), which involves the necessity to design the physical and technological features of the workplace (not just factories, but offices as well, not just for operatives, but for office workers and technicians and managers, too) with full consideration of the nature of the workforce in that "physical" design. Are we in America paying the price for our failure (or slowness) to develop theories and to put into practice the theories about the *changing* nature of the *interaction* between man, machine, work assignments, and the general environment?

He also goes on to say that, in comparision with unions in other parts of the industrial world, the Swedish unions have the sophistication and the skill to recognize and to work positively on the issue of balancing the demands for economic growth and the demands for greater humanization of work.

If what I am saying here still hasn't come through to you, let me use the argument of what I am *not* talking about, by citing one example. A few years ago, a private research firm was asked by one of AT&T's Bell systems to determine the causes of high turnover among its operators (the particular phone company involved is *not* in New York City). The published report reveals the theoretical approach—and thus the action recommendation flowing from this approach. The factual findings (which in turn flow from the conceptual approach used by the consulting research firm) can be summarized as follows:

From the company's point of view, the *successful* employee—that is, the long-term employee—is "one dependent upon and yielding to authority rather than autonomous; socially unobtrusive rather than exhibitionistic; persistent and enduring in her approach to work; and conservative in her life style, more conforming than innovative or rebellious."

And as you would predict, the recommendations include the creation of psychological tests *before* employment to identify and then *reject* highly autonomous, nonconforming applicants!

Now, apart from any evaluative or moralistic reactions to such a report, what are employers going to do, as we in America undergo a *shortage*—on an increasing scale— of men and women who are authoritarian, i.e., dependent upon and yielding to authority? This is surely what is happening, if my own research and that of others (Daniel Yankelovich, for example) over the years means anything—we're running out of docile, authority-oriented citizens. Well, one alternative *might* be to take a look at the *jobs*—the tasks—people are expected to perform for their daily bread (even at four and five dollars an hour, not counting fringes), and see what might be done to change the *nature of the jobs and their work environment.*

The astounding thing about this particular study—and I have chosen it deliberately as an example of my argument here—is that AT&T is famous in the fraternity of students of improving the quality of work-life because of one man and one man alone—Robert Ford. And Robert Ford has been going up and down and back and forth across the breadth of this continent preaching about and demonstrating the necessity—and profitability—of redesigning the job tasks necessary to carry out the purpose of AT&T. Within the *same* broad corporation (actually, from certain aspects AT&T is really a bunch of separate management principalities with varying—and conflicting—personnel philosophies), you have the extreme opposites of philosophies and practices concerning the issue of what to focus on—adapting the human being to the job, or adapting the job to the human being.

As Ford himself put the issue at an Upjohn conference at Williamsburg in April of 1971:

> We have run out of dumb people to handle those dumb jobs. So we have to rethink what we're doing.[10]

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[10] See the full text of the proceedings of this conference, edited by Charlton Price, *New Directions in the World of Work* (Kalamazoo and Washington: W. E. Upjohn Institute for Employment Research, March, 1972); and also Robert Ford, *Motivation Through the Work Itself* (New York: American Management Association, 1969).

Issue No. 4. "The Validity of Job Satisfaction Surveys." What do different percentages of "job satisfaction" responses really tell us? In a recent conversation I had with the plant manager of a large corporation (a sample of whose blue collar workers I had interviewed) he gave me the usual line that 90 percent of his workers are satisfied with their jobs, and what's the fuss all about? Since I didn't want to get into a technical argument with him, I replied, "Yeah, but it only takes 10 percent to shut your plant down, doesn't it?"

He looked at me for a few (but psychologically long) seconds, and he then said—very slowly and with raised eyebrows—"less than that."

The usefulness of subjective job satisfaction questions—apart from the issue of wording and number of questions—is suggested, for example, in an unpublished preliminary report from the Parnes longitudinal project. The report deals only with the 45-59 male age group cohort of the much larger age-sex total, and covers only the three years of panel interviewing, from 1966 to 1969. Nevertheless, it is significant, in my opinion, that the rate of *voluntary* job changing between 1966 and 1969 was related to the workers' self-reported job satisfaction as of the original interview, in 1966. In other words, there is a predictive, useful value in asking such a question. Turnover, one must conclude from this finding, *can* be predicted by asking employed persons their opinions about their jobs.

Turnover, *of course,* is related also to levels of unemployment at any given moment in time. No one in his right mind would deny that changes in turnover are related to changes in rates of unemployment—in a free society. You'd have to be an idiot to think that they are not related. But if anyone believes that turnover is to be explained *exclusively* in terms of rates of unemployment, he *must* be an idiot. The issue here is *not* which factor is the most important determinant of voluntary job-changing—a question which such methods as multivariate analysis helps to answer.

The issue here is, does quality of work life play a role in this important economic phenomenon? I think it does.

In this connection, there are two other interesting considerations.

(1) Are all the parties *agreed* that turnover is something to be worried about? In certain industries and occupations, replacement costs due to turnover are worrisome, and they affect adversely production costs and consumer prices.

On the other hand, there are certain industries and occupations in which the employer *welcomes* a certain high level of turnover, since seniority might cumulatively result in higher labor costs. It is also in these same industries and occupations that all of us would agree that no person should *want* to continue to work in—for reasons having to do with wages, number of work-week opportunities, poor physical and non-physical work environments, etc.

(2) Low turnover, from a different perspective, should not be taken as a neat and uncomplicated "proxy" for high quality worklife conditions. Certain types of workers, over time, do *not* leave negative quality jobs. Students and practitioners of industrial relations and collective bargaining should begin to examine the reasons for their not leaving the solutions to which may entail substantial structural changes. But low turnover may involve workers who frequently undergo what some researchers label "adaptation," and this term is often used in a sanguine fashion. People—it is argued—get used to lousy jobs, in other words—especially with high wages—and they will even tend to tell interviewers they're satisfied with those jobs.

We cannot escape the possibility that, especially among workers still bearing the "environmental insults" of long-term unemployment in the 30's—or in more recent years' plant/office lay-offs or shutdowns producing long-term unemployment (Packard and Studebaker are among my own personal experiences) — that among such workers they will cling to whatever new job they feel themselves fortunate to fall into, and thus will not quit, even if the objective nature of such jobs *also* engenders debilitative symptoms.[11]

Issue No. 5. "The Role of Tasks Themselves." One of the most critical issues in this confusing field of research and theory of quality of work life and/or job satisfaction has to do with the influence of the job tasks *per se,* in the objective sense. Many social scientists, as well as appointed and elected functionaries at higher levels in our social order (and this includes government officials, managers and employers, and union officials), hold to two rather contradictory views. These two views are frequently espoused—implicitly or overtly—by the same individual. The first view is that workers' responses to interview surveys (whether of the closed-end or open-end question variety) are not to be taken at face value. The second view is that even variations in the *work itself*—as objectively described, for example, by an outside observer such as an industrial engineer or industrial physiologist—do not cause (along *with* or *without* other variables) any variations in worker health (broadly defined), subjective attitudes, or overt behavior.

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[11] But to return to this concept of low turnover workers and "adaptation," such men and women may "adapt" by shifting to an "instrumentalist" orientation toward their jobs. Workers with such an orientation look upon their job as essentially or merely a source of income. It is *not* correct to assert that *all* workers characterized by instrumentalist work outlooks *entered* their jobs with such an outlook in the first place. Before continuing this discussion, I should make very clear that my own research, and that of others, points to the obvious fact that pre-employment expectations and values *do* affect workers' degree of satisfaction with given job tasks. I am not disputing that here. Job satisfaction, to repeat, is a function of an *interaction* between the nature of the individual worker *and* the nature of his job tasks and work environment.

What I am trying to make clear is that *some* workers acquire this instrumentalist orientation as a result of their work-life experiences, and workplace environments. It is less and less true that "people can get used to anything"—with no negative effects on their health, self-esteem, morale, etc.

On the phenomenon of workers "adapting" by shifting to an instrumentalist orientation, see Bertil Gardell, *Production Technology, Alienation and Mental Health* (Stockholm, Swedish Council for Personnel Administration, 1971); and *Work in America,* a report prepared through the Upjohn Institute for the Secretary of HEW, 1972 (now available in paperback through the MIT Press).

The ultimate solution to this twofold controversy might, of course, lie in concrete experimental, deliberately induced changes in the nature of the tasks themselves, on a longitudinal basis and with other workplaces as controls. In the meantime, however, let me point to the claims of such researchers as Turner and Lawrence (*Industrial Jobs and the Worker,* 1965) and Lawler and Hackman (*Employee Reactions to Job Characteristics,* 1971), whose studies I interpret as showing that, essentially, when a worker *says* he has little variety or autonomy in his current work task assignments, the odds are that "objective" measures (meaning the judgment of outside observers) will *also* confirm that the job has little variety or autonomy.

In addition, there are such studies as those among British workers, by Dan Jacobson,[12] whose methods are far more sophisticated than those of the two above-named studies. Jacobson's study of British male factory workers has to do with the relationship of the nature of job tasks (including degree of "job strain") to the desire or willingness of men 55–64 to retire *before* the "normal" retirement age of 65.

To make a detailed story short (and thereby do it an injustice), let me point out that Jacobson found that workers in the heavy job-task category were more than twice as likely to choose early retirement (before 65), and also much more likely to accept their companies' retirement age policy, than workers in the light job-task category. Among the other matters related to this classification of job tasks according to a Rest Allowance measure were:

1) views on what is an "ideal" retirement age.
2) self-appraisal of *current* health status.
3) expectations of effects of *retirement* on health status.

The Jacobson study did more than test the relationship of the RA measure to the retirement propensities of these 55–64 year old

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[12] "Willingness to Retire in Relation to Job Strain and Type of Work," *J. of Industrial Gerontology,* Spring, 1972.

British workers. The author (now at Tel-Aviv University) also classified the jobs into:

1) mechanized line operations, in which the *autonomy* of the worker was minimal, or non-existent—*conveyor* operations.
2) non-mechanized operations in which the product was worked on at the worker's own pace and passed on from one worker to another, in which slightly more autonomy was involved—*line*-work operations.
3) non-mechanized operations in which the man worked independently, with maximal autonomy (e.g., over his work pace and style; length, frequency, and timing of rest breaks)—*individual* work.

Jacobson's expectation was that "the more rigidly fixed the work pattern, the higher would be the proportion of retirement-oriented respondents." Or, in my own words, that the nature of job tasks affects the worker's desire to escape from his employment situation into the lower-income status of retirement. This desire to escape is, in my own thinking, a concrete symptom of work alienation, and somewhere in the reams of obscure writings by Marx on this equally obscure concept of alienation, he does—in a rare moment of lucidity—say something pretty much to the same effect.

Now, it should come as no surprise to you (I hope) that the willingness of these British men to accept their companies' retirement age policy is clearly related to the degree of autonomy allowed in their work tasks.[13]

Type of Work

	Conveyor	*Line*	*Individual*
% Willing to Accept Company Retirement Age	81%	71%	46%

However, the skeptics will be quick to retort that both the Jacobson study of British factory workers and my own study deal only with *subjective intentions* to retire. The ideal study, of course, the real proof of the pudding, would be to verify the subjective responses on this type of question through checking on the *actual behavioral* data (in those situations in which the worker *does* have a right to determine his retirement age) i.e., whether or not the *subsequent* retirement decision behavior jibes with the *earlier* subjective response.

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[13] In my own research (reported in *Where Have All the Robots Gone?*), I have found that *young* male blue collar workers (under 40)—if they are in the tasks with variety, autonomy, and responsibility (as defined and measured by Turner and Lawrence)—are far more ready to retire *immediately* (with a good pension) than are other young male blue collar workers in tasks with *greater* variety, autonomy, and responsibility. The same analysis reveals that among *older* workers (those [illegible] and older), the same results are found: older workers in "good" tasks are much less ready to retire immediately than those in "lousy" tasks.

Unfortunately, I have not been able to find any such longitudinal studies dealing with this topic, although there may be some under way but not yet completed or reported, to provide an answer. Perhaps the Parnes 5-year longitudinal study will help shed some hard-nosed answers for the skeptics. However, I can report the following:

Among Ford's UAW members eligible for the new "early retirement" provisions—which presumably provide *relatively* high pensions—the *skilled* workers were retiring (as of 1971) at a much lower rate (17%) than are the *non*-skilled workers (29%). This is all the more remarkable since the skilled workers are eligible for a higher retirement income than are the other workers in the auto industry. Despite this economic "incentive," the skilled auto workers eligible for retirement before the age of 65 (actually they can retire now at 58 with 30 years of service) are retiring to a lesser degree than their fellow non-skilled workers. I suggest that *one* of the reasons (one, not the only reason) for this discrepancy has to do with the nature of their job tasks.

Issue No. 6. "A New Anti-Union Movement? I am sorry to find it necessary to quote what Charles walker himself had to repeat from that old curmudgeon of the labor movement, Paul Jacobs, when it comes to my making a commentary in 1972 about where the mainstream of the American labor movement stands today regarding these and related issues.

Way, way back in the ages dark—in 1963—Jacobs said the following:

> If unions are going to survive and grow in this coming period, they have to break with their old patterns. First of all, they have to break with their pattern of not thinking about work, the nature of work, their relationship to work, and what they can do about work.

There are no systematic research indications or indicators concerning the issue of whether or not there has been any significant change in substantive, active interest and action on the part of American trade unions pertaining to quality-of-worklife issues, at least when compared to several European labor organizations.[14] One of the most recent solid pieces on some facets of the actual achievements and commitments on the part of the labor movement (that go beyond organizational rhetoric) is by Jack Barbash "On the Tensions of Work: Can We Reduce the Costs of Industrialism," a chapter in a recent *Dissent* volume on *The World of the Blue Collar Worker.*

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[14] For example, see the 114 page program statement published by the 1971 Congress of the Swedish Trade Union Confederation, *Industrial Democracy*, especially Chapter 2, "A Greater Demand for Job-Satisfaction," and Chapter 5, "Direction and Organization of Work."

Also, the Swedish Royal Ministry for Foreign Affairs' *The Human Work Environment: A Contribution to the UN Conference on the Human Environment*, 1971.

After summing up the structural features of industrialism especially insofar as they affect blue-collar workers—including an excellent treatment of why most workers "put up with the tensions of work"—Barbash says:

> Trade unionism has eased the harshness of the hierarchical division of labor by introducing through collective bargaining a system of bilateral industrial government, which has established some rights and orderly procedures in the hierarchical relationship between management and workers. Trade unionism also performs the function of mediating the competitive claims among workers . . . . Trade unionism's protective activities have been complemented, with broader scope, by the welfare state's lightening of disabilities that arise from unemployment, old age, ill health, and inadequate education.[15]

We cannot exclude these accomplishments and commitments from any *broad* notion of the "humanization of work." Unfortunately, today in many trade union circles the term seems to have a narrower, negative connotation. Indeed, there is even some feeling on the part of some labor spokesmen that conveys a negative attitude towards *any* discussion of improving the quality of work life—other than job security and income adequacy, which only a fool would say is not a *condition* for high quality worklife. Among some of these spokesmen—who, I fear, have not actually delved deeply enough into much of what is actually being done and written by "work humanists"—the resurgence of interest in "job satisfaction," "worker blues," and similar vague and/or journalistic slogans provokes a near-paranoid reaction. For some of these union spokesmen, this resurgence of interest is nothing more than a revival of the anti-union undertones of much of the old human relations movement associated with such figures as the late Elton Mayo.[16]

For some of us nothing could be further from the truth, and such paranoid reactions may actually be a reflection of the diminished role of intellectuals (i.e., thinkers and well-rounded, competent researchers) in and around the American trade union movement. Much of the human relations movement was characterized by a virtual ignoring of—if not outright *rejection* of—economics and technology, including the physical work environment and the structure of work tasks—almost as if there were no difference between working in a foundry or assembly line, on the one hand, and a florists' shop, on the other hand. Trade unions were viewed as a sort of "alien, intrusive" agent in the worker-management relationship.

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[15] pp. 244–45. Perhaps a more important observation by Barbash—and repeated by many other thoughtful analysts, increasingly—is that the current preoccupation with "humanizing work" is a product of our *economic* progress. (p. 247 ff).

[16] See "The Treatment of Trade Unionism in 'Managerial Sociology,'" by H. L. Sheppard, *American Sociological Review,* April, 1949, and by the same author, "The Treatment of Industrial Conflict in American Industrial Sociology, *British J. of Sociology,* December, 1954.

Why is it that so many European unions are taking an *active* role in this area, while their American counterparts, by comparison, are not interested at all, or taking pot-shots at these notions?

There is *some* change a-brewing among American unions (one can no longer truly speak of *an* American labor movement, nor of one somewhat common-consensus labor federation), and it is possible to find some exceptions to this last somewhat negative commentary. Recently, for example, M. C. Weston, a regional director of the Steel Workers said, "Labor and Management are failing miserably in meeting the problems of young workers. The youth have little confidence in either of us finding solutions to their problems. To cope with the problems will require a major adjustment in our thinking."

The United Auto Workers—as usual, in the vanguard of unions aware of the need for major adjustments in union thinking—have been fast to recognize that something new *is* happening in the work-world (and make-up of their members) and are seeking a re-definition of the processes taking place in that workplace and workworld, as a prelude to determining new collective bargaining demands, and perhaps even new legislative proposals. (The UAW was the only union that testified before Senator Edward Kennedy's July, 1972, hearings on "worker alienation.")

The new Labor Study Center of the AFL-CIO, in Washington (Fred Hoehler, Director) is beginning to feed back into its classes some of the research findings in this field, for example, those reported in *Where Have All the Robots Gone?* by Neal Herrick and myself, and examples of new changes in work patterns.

To the degree that unions are genuinely concerned about rank-and-file membership loyalty, it should be of interest to them, just to cite five types of findings, (1) that workers express greater concern about safety on the job and compensation for work-related injuries than do top union leaders. (2) Another finding, derived from my own survey of nearly 400 white male blue collar union members (320 AFL-CIO, and 51 UAW), shows a relationship of workers' ratings of their unions to the nature of their work tasks (degree of variety, autonomy, and responsibility): the higher the variety-autonomy-responsibility index, the more highly the workers rated their unions' helpfulness to their members. On the same question, only a minority (39 percent) of the very young (under-30) workers, but a large majority of the very oldest (55 and above), considered their unions very or fairly helpful.

(3) Something else that should not be dismissed in connection with another issue is that task level was a better predictor of union attitudes than wage levels, or previous employment experience.[17]

(4) A fourth finding that should concern union leaders is that 70 percent of these white male blue collar union workers felt their unions should be doing more for improving their skills or getting a promotion to a better job.

(5) More important, however, is that this percentage varied according to the *nature of their current* job tasks—the less the variety, autonomy, and responsibility entailed in those tasks, the *higher* the proportion stating that their unions could be doing a better job in this respect.

In other words, unions are *not* absolved by their members from the responsibility of creating better jobs.[18]

• • • •

Finally, let me quote from one eminent commentator on the "work ethic" and problems of the quality of working life, Richard M. Nixon. I know you are all familiar with his widely quoted remark about the dignity of any kind of work—including scrubbing floors and emptying bedpans. But did you know he (or least one of his speech writers) also said the following, on Labor Day of 1971:

> In our quest for a better environment, we must always remember that the most important part of the quality of life is the quality of work. And the new need for job satisfaction is the key to the quality of work.

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[17] See *Where Have All the Robots Gone?* (New York: Free Press-Macmillan, 1972). pp. 105–6.

[18] *Ibid.* p. 64.

Job Enrichment—Another Part of the Forest

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After some years of seeking legislative alternatives to collective bargaining, plus even more years of academic discussion and debate on the pros and cons of union responsibilities in relation to public rights it now appears that labor's good friends in government, intellectual and academic circles have discovered an interesting new malady. They've already provided it with a name, a diagnosis and even a cure.

The name is the "Blue Collar Blues." The diagnosis is that because younger workers are brighter and better educated than their fathers they refuse to accept working conditions that past generations took for granted. The cure consists of a shot of psychic penicillin known as job enrichment.

There can be little doubt as to the existence of a rising tide of dissatisfaction, or alienation, among those who are increasingly and even sneeringly referred to as the Archie Bunkers of America.

Employers feel it in more absenteeism, more turnover and more strikes over working conditions. Politicians feel it in the perceptible shift of blue collar workers from the principles of the New Deal to the philosophy by George Wallace. Unions feel it in the rising level of contract rejections and the growing number of defeats suffered by long established business representatives and officers in union elections.

Just a couple of months ago *Time Magazine,* in an essay on the work ethic noted that according to a Gallup poll taken in 1971, 19% of all workers expressed dissatisfaction with their jobs. This was viewed with some pessimism by the learned editors of *Time.* If they had chosen to be optimistic they could have just as validly noted that 81% of all workers seem to be satisfied with their jobs.

There is, of course, no way to prove it but I feel reasonably certain that at no time in the entire history of man would Mr. Gallup have found 100% happiness and job satisfaction in the labor force. I doubt if 100% of the ancient Egyptians who built the pyramids, or 100% of the medieval craftsmen who constructed the great cathedrals, or 100% of the 19th century Irishmen who laid the tracks for American railroads were so filled with job satisfaction that they consistently whistled while they worked.

The right to bitch about the job, or the boss, or the system, or even the union, is one of the inalienable rights of a free work force. Whether workers today are generally happier than those in the so-called good old days is not provable one way or the other. There are those who claim that the increasing atomization of work processes and the mind-deadening monotony of the modern assembly line cannot help but lead to anything *except* increasing alienation in the work force. And yet, the assembly line has been with us for a long time. The concept of the robotized worker, endlessly repeating one function, tightening the same bolt over and over, was already well established long before Charlie Chaplin satirized it in the movie "Modern Times" more than 40 years ago.

Strangely enough, Mr. Gallup's polls on worker dissatisfaction, which were started in 1949, consistently registered slow but steady increases in the level of worker satisfaction right up to 1969. And I think that is very significant. Though workers throughout the 1950's and 1960's were never really affluent, in the Galbraithian sense, they *were* making progress. On the whole, jobs were plentiful and the gap between what the average production worker earned and what the Bureau of Labor Statistics said he needed for a "modest but adequate" standard of living was narrowing. But then between 1969 and 1971 the overall rate of job satisfaction, according to Mr. Gallup, fell 6%. If this decrease were due to some substantial change in the nature of the jobs that people did I would have to agree with those who prescribe job enrichment as the answer to worker dissatisfaction. And don't get me wrong. I am not opposed to efforts by management or industrial psychologists to make assembly line jobs less monotonous and more fulfilling.

But one of the points I intend to make here today may not be too palatable to some of my friends and associates in management or government or academic circles, because the point is that just as job dissatisfaction in the work place yielded to trade union solutions in the past, such dissatisfaction can be decreased to the extent that trade union solutions are applied today.

One of the reasons that worker satisfaction declined in the late 1960's and early 1970's is that worker income, in relation to inflation and taxation and the purchasing power of the dollar that was earned by labor, also declined.

The fact is that because of government policies leading to rising unemployment, establishing one-sided controls on wages and permitting multi-national corporations to export thousands of American jobs to Hong Kong and Taiwan and other low-wage areas, the gap between what the average worker earns and what his family needs for a decent standard of living has been growing. So it should come as no surprise to anyone that worker dissatisfaction is also growing.

The recent rash of strikes and other labor problems at the General Motors plant in Lordstown, Ohio, has been seized upon by those who write articles for learned journals as proof that even if the nature of the assembly line hasn't changed, the work force has. As every student of industrial relations knows, the overwhelming majority of the work force at Lordstown is young. On the basis of management's unhappy experiences with these kids, the experts have solemnly proclaimed the discovery of a new kind of work force. They inform us that here is a generation that has never known a depression and thus has no interest in security. Here is a generation that grew up in a time of crass materialism and thus rejects the work ethic. Here is a generation that has been infected by the rebellion of youth and thus has no respect for authority. I have seen one scholarly analysis, in fact, that compares the "rebellion" at Lordstown in the early 1970's with the free speech movement at Berkeley in the early 1960's. And the conclusion was drawn that the nation's factories, like her colleges, would never be the same again.

Quite frankly, I submit that that kind of analysis overlooks one salient fact. The young workers at Lordstown were reacting against the same kind of grievances, in the same kind of way, as did generations of workers before them. They were rebelling against an obvious speed up. They were protesting safety violations. They were reacting against working conditions that had been unilaterally imposed by a management that was determined to get tough in the name of efficiency. Anyone who thinks that wild cats or slow downs or even sabotage started with a bunch of hippie-looking kids at Lordstown doesn't know very much about the history of the American labor movement.

An almost identical series of incidents took place over much the same issues at Norton, Ohio, at almost the same time but very few inferences were drawn about the changing nature of the work force because, in this case, it was older workers who were involved.

Many people, including President Nixon, are viewing the decline of the work ethic in the United States with alarm. On the basis of my experience, which includes many day to day contacts with rank and file members of the Machinists Union, I can assure you that the work ethic is alive and well and living in a lot of good work places.

But what the aerospace workers and auto mechanics and machinists and airline mechanics and production workers *we* represent want, in the way of job satisfaction, is a wage that is commensurate with their skill.

If you want to enrich the job, enrich the pay check. The better the wage, the greater the job satisfaction. There is no better cure for the "blue collar blues."

If you want to enrich the job, begin to decrease the number of hours a worker has to labor in order to earn a decent standard of living. Just as the increased productivity of mechanized assembly lines made it possible to decrease the work week from 60 to 40 hours a couple of generations ago, the time has come to translate the increased productivity of automated processes into the kind of enrichment that comes from shorter work weeks, longer vacations and earlier retirements.

If you want to enrich the job, do something about the nerveshattering noise, the heat and the fumes that are deafening, poisoning and destroying the health of American workers. Thousands of chemicals are being used in work places whose effects on humans has never been tested. Companies are willing to spend millions advertising quieter refrigerators or washing machines but are reluctant to spend one penny to provide a reasonably safe level of noise in their plants. And though we are now supposed to have a law that protects working people against some of the more obvious occupational hazards, industry is already fighting to undermine enforcement, and the Nixon Administration has gone along with them by cutting the funds that are needed to make it effective.

If you want to enrich the jobs of the men and women who manufacture the goods that are needed for the functioning of our industrialized society, the time has come to reevaluate the snobbery that makes it noble to possess a college degree and shameful to learn skills that involve a little bit of grease under the finger nails. The best way to undermine a worker's morale, and decrease his satisfaction with himself and his job is to make him feel that society looks down on him because he wears blue coveralls instead of a white collar. I think it is ironic that because of prevailing attitudes many kinds of skilled craftsmen are in short supply while thousands of college graduates are tripping over one another in search of jobs.

Some of the most dissatisfied people I know are those who got a college degree and then couldn't find a position that lived up to their expectations. And that's been especially true the last few years. There are a lot of college-trained people driving cabs today who would have had a lot more job satisfaction and made a lot more money if they had apprenticed as auto mechanics.

If you want to enrich the job, give working people a greater sense of control over their working conditions. That's what they, and their unions, were seeking in the early 1960's when management was automating and retooling on a large scale. That's why we asked for advance consultation when employers intended to make major job changes. That's why we negotiated for clauses providing retraining and transfer rights and a fair share of the increased productivity that resulted from automation.

What workers resent, and what really causes alienation, are management decisions that rearrange job assignments or upset existing work schedules without reference to the rights of the work force.

If you want to enrich the job, you must realize that no matter how dull or boring or dirty it may be an individual worker must feel that he has not reached the end of the line. If a worker is to be reasonably satisfied with the job he has today he must have hope for something better tomorrow.

You know this is true in universities, in government and in management. I submit that even on the assembly line there must be some chance of movement, even if it's only from a job that requires stooping down to one that involves standing erect. But here again, we are talking about a job problem for which unionism provides an answer. And the name of that answer is the negotiated seniority clause. Perhaps workers were not thinking in terms of job enrichment when they first negotiated the right to bid on better shifts, overtime or promotions on the basis of length of service. Perhaps they were only trying to restrict management's right to allocate jobs and shifts and overtime on the basis of favoritism. But even if they weren't thinking in terms of "job enrichment," in actual practice that's what they got.

It's true that many young workers in their 20's resent the fact that while they have to tighten the same old bolt in the same old spot a thousand times a day the guys in their 40's are walking up and down the line with inspection sheets or running around the factory on forklifts.

They may resent and bitch about it *now* but they also know that they are accumulating seniority which they can trade for a better job of their own some day.

Yes, there are many ways in which jobs can be enriched. But I don't think those I have mentioned are what management has in mind when it talks about job enrichment. On the basis of fairly extensive experience as a union representative, I find it hard to picture management enriching jobs at the expense of profits. In fact, I have a sneaking suspicion that "job enrichment" may be just another name for "time and motion" study. As Thomas Brooks said in a recent article in the AFL-CIO *Federationist* "Substituting the sociologist's questionnaire for the stop watch is likely to be no gain for the workers. While workers have a stake in productivity it is not always identical with that of management. Job enrichment programs have cut jobs just as effectively as automation and stop watches. And the rewards of productivity are not always equitably shared."

I also have a feeling that what some companies call job enrichment is really little more than the introduction of gimmicks, like doing away with time clocks or developing "work teams" or designing jobs to "maximize personal involvement"—whatever that means.

In conclusion let me say that I know there are those who worry about what the younger generation is coming to, and wonder whether the rebellious young workers of today will be willing to fill their father's shoes in the factory jobs of tomorrow. We can't generalize from isolated examples but I was very interested in an NBC television documentary recently that studied the dissatisfaction of young workers. The part that interested me the most was the transformation in an assembly line hippie who followed his electrician father's footsteps by becoming an apprentice and cutting his hair.

There is little doubt, and all the studies tend to prove, that worker dissatisfaction diminishes with age. And that's because older workers have accrued more of the kinds of job enrichment that unions have fought for—better wages, shorter hours, vested pensions, a right to have a say in their working conditions, the right to be promoted on the basis of seniority and all the rest. That's the kind of job enrichment that unions believe in. And I assure you that that's the kind of job enrichment that we will continue to fight for.

Government Approaches to the Humanization of Work

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I. Introduction

This paper will not propose new governmental approaches to the humanization of work nor will it evaluate present ones. It will simply report on certain activities which are being undertaken or contemplated in the United States. Most of these activities have only been initiated since the summer of 1972 and are in their very early stages of development. Accordingly, their status is changing day by day. In addition to reporting on events in the United States, this paper will make very brief and general reference to some recent activities and plans of international organizations.

First, I will define what is meant by the phrase "to humanize work." Then the particular focus of this paper will be described. To humanize work (See Herrick and Maccoby—Humanizing Work: A Priority Goal of the 1970's, 1972, unpublished) is to provide workers with conditions of security, equity, individuation and democracy. Security in one's job is a condition which fosters and allows positive work involvement. The fear of working oneself out of a job is a reality to many workers. The condition of equity exists when the workers' share in the profits is commensurate with their contribution to value added, when a reasonable division of the profit between capital and labor occurs, and when compensation is both internally consistent and at least at the prevailing level. Individuation implies conditions allowing for autonomy, personal growth, craftsmanship and learning. This condition is best met by a combination of on-the-job and off-the-job opportunities. Democracy is perhaps the most difficult of the four conditions—both to define and to implement. Basically, it involves a situation where workers can collectively influence the conditions of their work and govern their actions, work methods, hours of work, work assignments etc. during the course of the work day.

It is clear that the total body of United States labor law addresses itself, in one way or another, to the attainment of these four basic conditions of work. For example, the Social Security Act of 1935 produced an unemployment insurance system, a retirement system and state aid to people in search of work. The Fair Labor Standards Act of 1938 sets minimum standards as to the equity of compensation and the Civil Rights Act of 1964 aims toward equity for minority groups. The Manpower Development and Training Act of 1972 provides opportunities for learning and growth particularly among the disadvantaged—and a series of industrial relations laws beginning with the Railway Labor Act in 1926 provided for a system of representative democracy and trade unionism.

In recent years, there have been signs that these past accomplishments in humanizing work have not been enough. Indications of worker alienation (e.g., rising absenteeism) suggest the need for new approaches. These new approaches may be characterized as addressing a different set of worker needs or—perhaps more accurately—the same needs viewed in a different light: the need for security in one's own workplace; the need for equity in terms of a fair share of any productivity increases due to greater worker skills and involvement; the need for learning, growth, and craftsmanship through freedom from restrictive procedures and close supervision—in short, autonomy; and the need for democracy—not the representative brand but the kind where small groups of workers have a say in deciding their day-to-day conditions and activities. Addressing these kinds of needs, which appear to be increasingly important to the present day workforce, is an extremely complex problem for the institutions of society. It is a problem which does not appear to lend itself to solution through mandatory legislation and is difficult—though not, I believe, impossible—to translate into collective bargaining demands. In general, the approach the government is presently taking toward meeting these newly surfaced needs may be said to consist of research activities which are beginning to evolve into experimentation and demonstration projects.

II. International Activities

Before describing the United States situation, a few words about international interest. The North Atlantic Treaty Organization (NATO) through its Committee on the Challenge of Modern Society (CCMS), assigned the United Kingdom (UK) the task of looking into the matter of worker dissatisfaction. A paper was presented in 1971 which recommended increased experimental and demonstration projects and the UK is expected to make its concluding recommendations shortly. The Organization for Economic Cooperation and Development (OECD) held a conference on work motivation for businessmen from the developed countries in the spring of 1971 and plans to convene a working party in 1973 to consider how the OECD members nations might work together on problems of the "internal industrial environment" and related issues of worker dissatisfaction. OECD's Social Indicator Development Program is also considering the possibility of regular indicators of worker satisfaction/dissatisfaction. The Institute for Labor Studies of the International Labor Organization in Geneva is just completing a major international study of worker participation and is considering the establishment of an on-going program of research in work humanization.

III. United States Activities

A. *Legislative.* On August 14, 1972, Senators Kennedy, Javits, Nelson and Stevenson introduced the "Worker Alienation Research and Technical Assistance Act of 1972." This Act proposed an appropriation of $10 million to provide for research into the problem of alienation among American workers and to give technical assistance to companies, unions, and state and local governments seeking ways to deal with the problem. Under the Act, the Secretaries of Labor and Health, Education and Welfare would:

- Conduct research to determine the extent and severity of job discontent,
- Look into methods being used both here and abroad to decrease worker alienation,
- Disseminate the results of this research to unions, companies, schools of management and industrial engineering and the general public,
- Provide technical assistance to workers, unions, companies and state and local governments for experimental and demonstration projects in humanizing work,
- Support the Department of Labor's triennial nationwide survey of working conditions.
- Assist in developing curriculum and programs for training and retraining specialists in work humanization methods,
- Conduct pilot work humanization projects in Federal agencies, and
- Make recommendations on further legislation by December 31, 1973 and annually thereafter.

The Kennedy bill was introduced shortly after hearings on the subject were held by the Senate Subcommittee on Employment, Manpower and Poverty in early summer of 1972. Congresswoman Bella S. Abzug introduced a House version of the bill on August 17, 1972. No hearings have been held on this proposed legislation.

B. *Executive.* The executive arm of government, as authorized by the Congress, has been supporting research into the causes and nature of job satisfaction and dissatisfaction for some years. More recently, there have been plans to diffuse knowledge of job dissatisfaction causes and solutions through experimental and demonstration projects.

1. The U.S. Department of Labor has funded a number of research projects in this area over the past several years. In 1969 a nationwide Working Conditions Survey was instituted which provides normative data on physical and economic conditions of work and on worker attitudes, behavior and job satisfaction. This survey will be done for the second time in January and February of 1973. In addition, the Department has funded many other research projects dealing either directly or tangentially, with worker attitudes. For example, the most recent issue of Manpower Research and Development Projects lists at least 12 such efforts. The most recent Department of Labor initiative is an extension of the Working Conditions Survey into a number of selected establishments in order to validate worker self-reports against employer data and to relate work structures and work attitudes to productivity. In addition, the Department of Labor held quarterly seminars on the humanization of work for small groups of trade union and industry officials in April, June, September and December 1972. These siminars brought experts in the field of restructuring work together with these key officials in order to provide them with information regarding possible solutions.
2. The National Commission on Productivity (NCOP) plans to sponsor a Quality of Work Program consisting of work humanization efforts in a number of major corporations and—crossing corporation and company lines—in one city of the United States. It is planned to assess the extent to which the establishments involved provide the conditions of humanized work, to measure the human and economic outcomes of existing conditions, to set up worker-management councils which will consider ways to improve the quality of work, and to periodically measure human and economic outcomes as work becomes more humanized. The NCOP commissioned a study of worker attitudes toward productivity (now complete) and is planning future studies of (1) institutional (i.e., labor/management/government) relationships and their impact on programs to improve the quality of work and (2) the relationships among work structures, work attitudes and productivity.
3. In the spring of 1971, the Secretary of Health, Education and

Welfare brought together a small group of individuals to produce a report describing workplace problems and possible solutions. This report, titled "Work in America," was issued in late-December 1972 and is available through the MIT Press. In addition, the Secretary is charged under the Occupational Safety and Health Act of 1970 with doing research into the psychological factors involved in safety and health. Accordingly, the National Institute for Occupational Safety and Health (NIOSH) has launched a number of research projects in this area and is supporting and working with the U.S. Department of Labor in carrying out its Triennial Working Conditions Survey. The National Institute for Mental Health (NIMH) is also interested in the psychological aspects of work and is currently studying work problems in specific blue-collar occupations (e.g., garbage collector).

IV. Conclusions

The U.S. Government has enacted and is administering a large body of labor law. This body of labor law, combined with the efforts and activities of the trade union movement, has done much to humanize the American workplace. Now there appears to be a need for some new approaches to the humanization of work. This need is underlined by symptoms of dysfunction such as rising absenteeism rates and indications that other forms of worker withdrawal (e.g., alcoholism, drug use, tardiness, etc.) are also on the rise. So the new approaches to work humanization have a utilitarian as well as a humanistic goal. They strive to motivate employees and to involve them in the work process. In general terms, research has shed some light on the worker needs which must be met in order to reduce destructive behavior. Some indication of what workers consider dehumanizing can be found in studies such as the U.S. Department of Labor's Triennial Working Conditions Survey and Dr. Harold L. Sheppard's work at the W. E. Upjohn Institute. These studies indicate that workers are particularly dissatisfied when their work does not give them an opportunity to develop their special abilities, when it is boring, and when there is no chance for autonomy at work. Workers are concerned with the negative effects of boredom, lack of stimulation, overcontrol, and the waste of their abilities and potentialities.

Having defined the causes of the problem to this extent, it appears that government is beginning to consider the next step: encouraging the development of specific processes and programs designed to meet these needs, installing these processes and programs on an experimental and demonstration basis, and learning—through careful measurement of the human and economic results—exactly what programs and combinations of programs work best under different social, technological and industry situations. Until this process of experimental and demonstration has shed considerably more light on the problem, it is difficult to speculate on what—if any—will be the eventual involvement of government in new approaches to the humanization of work.

VI. CONTRIBUTED PAPERS

Intertemporal Changes in Work Injury Rates*

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1. Introduction

On each working day in the U.S. 27,000 workers are injured and 55 are killed. In one year approximately 2.2 million workers—3% of the civilian labor force—are injured while at work at a total cost to the economy of approximately seven billion dollars.[1] The injury frequency rate (disabling injuries per million man-hours) in manufacturing industries has risen as high as 20.0 in 1943 and fallen to as low as 11.1 in 1957; in the 1960's there was a disturbing rise in the frequency rate from around 12.0 in the first five years to 14.8 by 1969. It is largely this recent rise which prompted the opinion voiced by then-Secretary of Labor Wirtz that, "Time is working today not as an ally, but as the enemy, of occupational safety." [2]

On the contrary, Monroe Berkowitz, in the last IRRA Winter Meetings, stated that, "Industrial accidents have been declining over time." He attributes ". . . the amazing drop in injuries and deaths in industry . . . to the fact that it is becoming increasingly expensive to damage workers"—a phenomenon he associates with rising real wages.[3]

What are the patterns of change in work injury rates over time? Do these movements embody a trend? A simple regression of yearly *changes* in injury frequency rates (ΔI) in manufacturing for the postwar period (1948–1969) against a constant (representing the trend) and changes in the unemployment rate (ΔU) yields the following results (estimated standard errors in parentheses):

$$\underset{}{\Delta I} = \underset{(.16)}{-.12} - \underset{(.13)}{.46}\,\Delta U \qquad \begin{array}{c} R^2 = .38 \\ \text{Durbin-Wattson} \\ \text{statistic} = 1.44 \end{array}$$

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* Much of this research was conducted under a contract from the National Commission on State Workmen's Compensation Laws. The computational part of this work was carried out in the Computer Center of The University of Connecticut which is supported in part by Grant GJ-9 of the National Science Foundation. Research assistance was performed by Steven Garber.

[1] Jerome Gordon, Allan Akman, and Michael Brooks, *Industry Safety Statistics: A Re-Examination* (New York, Praeger Publishers, 1971), p. 3.

[2] U.S. Senate, *Hearings Before the Subcommittee of Labor of the Committee on Labor and Public Welfare on S. 2864* (Washington: Government Printing Office, 1968), p. 70.

[3] Monroe Berkowitz, "Allocation Effects of Workmen's Compensation," IRRA *Proceedings* (1971), pp. 342–349.

Although there is a distinct cyclical component to intertemporal variations in work injuries (they fall in recessions), there is no evidence of any significant trend. This preliminary finding raises the possibility that both the Wirtz and Berkowitz conclusions about long-run trends—at least regarding manufacturing injuries—were based erroneously on *cyclical* behavior of injury rates.

This paper sets out to explore in depth the causal factors behind intertemporal changes in work injury rates.

2. Theory

That work injuries impose pecuniary and psychic costs on the victims and their families is obvious; that they also impose costs on employers may be less so. Nevertheless, work injuries cause production delays, loss of worker morale, union-management disputes, added insurance costs, and if injured workers must miss some days of work, added costs of hiring and training replacements. There is also some evidence that employees demand wage premiums commensurate with risk of injury.[4]

The costliness of work injuries to employers creates an incentive for them to employ what shall be called "safety inputs"—safety devices on machinery, safety training or awareness programs, emergency treatment equipment—in an effort to reduce injury losses. Because safety inputs are themselves costly, a profit-maximizing employer is faced with a classic trade-off problem: he can expend few resources in purchasing safety inputs and accept the costs of increased work injuries, or he can increase his expenditures on safety inputs in return for reduced injury costs. The profit-maximizing employer must thus equate the marginal cost of a safety input with its marginal "productivity" in arriving at the optimal (*i.e.*, profit-maximizing) level of safety in his plant.[5]

Systematic intertemporal fluctuations in injury rates are caused by changes in the optimal level of safety inputs (S*) and in the functional relationship between these inputs and injuries. The following subsections treat such movements in the context of both the short- and long-run.

SHORT-RUN CHANGES IN WORK INJURIES

We shall assume that safety inputs, like other capital inputs, are "fixed" in the short-run and, once employed, have a useful life of several periods. Hence S* is determined primarily by long-run ("permanent") incentives and will not vary much over the reasonably short-run (a cycle, say). With S* fixed, the only source of nonrandom changes in work injuries in the short-run will be fluctuations in the functional relationship between injuries and safety inputs. The three major sources of cyclical change in the functional relationship between safety inputs (S) and injuries are discussed below.

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[4] Robert S. Smith, "An Interindustry Analysis of Work Injuries," (Mimeo.), 1972. The time series model to be tested later assumes wages in period t to be a function of, in part, injuries in period t-1.

[5] The marginal productivity of a safety input is, of course, the cost savings it generates through injury reduction. This savings is the product of (a) the reduction in injuries achieved, and (b) the cost of each injury to the firm.

When labor markets "tighten" an increase in the hours of overtime worked is usually observed; conversely, in a recession overtime is reduced. With increased overtime comes the fatigue and lapses in judgement that can cause injuries to rise for a given level of S.[6] Thus we expect a positive relationship between short-run increases in overtime and the work injury rate.

Tightening labor markets are also accompanied by increased recalls of laid-off employees and the hiring of new ones. Recalled workers are most likely the youngest and least experienced of the firm's "experienced" work force, and newly hired employees lack familiarity with the firm's machinery and procedures. As a group, then, the "new accessions" are more susceptible to injury than their more experienced counterparts, and as their numbers grow in a tightening market injury rates will tend to rise.[7]

A third source of increased risk in "boom" periods stems from the surplus equipment pressed into service. Surplus machinery—used only when product demand is exceptionally strong—may be relatively unprotected by safety devices. In addition, machines used only occasionally will be unfamiliar to many workers. On both accounts, the injury rate is expected to rise with increases in capacity utilization.

LONG-RUN CHANGES IN WORK INJURIES: THE LEVEL OF S*

If it were possible to measure the level of safety inputs, one could use such data directly in "explaining" long-run changes in work injuries.[8] In the absence of data on S, however, we must rely on measures of the *incentives* to employ such inputs.

Suppose the functional relationship between S and injuries were to remain constant but that the firm experiences a "permanent" rise in the cost of an injury.[9] The long-run marginal productivity of a safety input will rise, the optimal level of safety inputs will increase, and work injuries will be reduced.

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[6] Hobson noted the relationship between injuries and hours of work as early as 1914. See John A. Hobson, *Work and Wealth* (New York: Augustus M. Kelley, 1968 reprint), pp. 68–69.

[7] The rather widely-cited fact that older workers are injured less frequently than younger ones may be a reflection of work experience. See Gordon, *op. cit.*, p. 210.

[8] Fisher and Kraft, for example, were able to employ a "direct" approach in their study of firemen and railroad accidents. See Franklin Fisher and Gerald Kraft, "The Effect of the Removal of the Firemen on Railroad Accidents, 1962–67," *The Bell Journal of Economics and Management Science* (Autumn, 1971), pp. 470–494.

[9] The exposition assumes the cost of safety inputs remains constant.

Perhaps the best measure of the firm's cost per work injury is the wage rate. The wage paid an employee reflects his marginal productivity to the firm; in other words, it represents (even if only roughly) what the firm loses per hour due to production delays caused by injury. Furthermore, as Oi[10] has shown, training and hiring costs are positively associated with wages; hence, the wage rate is a good proxy for the costs involved in securing a replacement for an injured employee. In the model to be tested, the real wage rate—money wages deflated by the Consumer Price Index—is used as a measure of the cost of accidents to the firm. As real wages rise over time, *cet. par.*, injury rates should fall.[11]

A last cluster of influences on the drift of work injuries has to do with rather long-run changes in the difficulty of preventing injuries, given any level of S. Horsepower per worker is increasing rather steadily over time, and the increased power of machinery may increase the injury rate associated with any level of S. If injuries for any level of S rise by some constant, the *marginal* productivity of S will remain unchanged and so will S*; in this case all that we will observe is an increase in injuries over time. If the change in functional relationship between S and injuries results in changed marginal productivity of S, S* will in general be altered and the long-run injury rate *may* fall despite the increased difficulty of preventing injuries.[12]

Data on horsepower per worker is available only every ten years, but it appears to have increased in virtually a straight-line fashion since 1939 [13] and can therefore be adequately represented by the trend dummy. Because of our inability to predict how the increases in danger affect the *marginal* effectiveness of S, and because the trend may be a proxy for other unmeasured variables as well, we are unable to form an expectation about the sign of the trend's coefficient.

The considerations of the last two subsections allow specification of the following econometric model:

$$\text{(1)} \qquad I_t = b_0 + b_1O_t + b_2A_t + b_3C_t + b_4W_t + b_5T_t + e_t\,,$$

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[10] Walter Oi, "Labor As a Quasi-Fixed Factor of Production," *Journal of Political Economy* (1962), pp. 538–555.

[11] The effects of unions on injuries can operate indirectly through the wage rate or directly through pressure to employ safety inputs. The wage effects will be captured here, but in the absence of acceptable proxies, the "direct" effects are relegated to the constant and trend.

In the absence of price data for safety inputs, it is assumed that their prices rise and fall with prices generally (that is, with the Consumer Price Index).

[12] An interindustry study of work injuries conducted by the author found, however, that the effect of more horsepower per worker was to increase injuries. See Smith, *op. cit.*

[13] U.S. Department of Commerce, Bureau of the Census, *Census of Manufacturers, 1963*, vol. I (Washington: Government Printing Office, 1966), pp. 6–7.

where I_t = the injury frequency rate in year t; O_t = average weekly overtime hours; A_t = accession rate; C_t = capacity utilization rate; W_t = real hourly earnings; T_t = trend; and e_t = error term. We expect b_1, b_2 and b_3 to be positive, b_4 to be negative, and we have no *a priori* expectation on b_5.

3. Tests and Results

The data for the test are yearly observations for U.S. manufacturing industries as a whole from 1948 to 1969. The lack of data on capacity utilization prevented an extension of the sample to include more disaggregated industry data or the years 1939–1947.

The "overtime" variable employed is calculated by the Bureau of Labor Statistics as those hours worked per week in excess of regular hours for which the overtime premium is paid. This means that an employee working a regular workweek could be counted as having put in overtime by virtue of having worked at least one longer-than-ordinary day—a very desirable property for a variable purporting to measure working fatigue. Unfortunately, overtime data exist only from 1956 on. Because of the limited availability of overtime data and the small sample size to begin with, a two-step regression procedure was employed in an effort to maintain as much efficiency in estimation as possible. In the first step the following equation was estimated, using first differences,[14] for the years 1948–1969:

$$(2) \qquad \Delta I_t = (b_2 \Delta A_t + b_3 \Delta C_t + b_4 \Delta W_t + b_5 \Delta T_t) + \Delta u_t ,$$

where Δ indicates yearly changes and u is the error term. In the second step, the coefficients estimated for (2) were used to calculate a "corrected" dependent variable for estimation of equation (3) over the years 1956–1969.[15]

$$(3) \qquad I_t - (b_2 A_t + b_3 C_t + b_4 W_t + b_5 T_t) = b_0 + b_1 O_t + u_t'.$$

The results of estimating (2) and (3) are reported in Table I, lines IA and IB respectively. Taken together, the estimated equations offer strong support for the hypotheses developed earlier concerning cyclical and secular changes in work injury rates. All four estimated coefficients for which we had *a priori* expectations have the "correct" sign and all are roughly twice as great (or greater) than their estimated standard errors. The coefficient of T_t is significantly positive.

The coefficient of the wage rate is particularly large relative to its standard error, and interestingly enough, is virtually identical to the coefficient obtained in an interindustry study of work injuries conducted by the author.[16] Its negative sign is consistent with our hypothesis that as the cost of injuries rise, firms have greater incentives to employ safety inputs. The net effect of variables represented by the trend is positive, perhaps indicative of the increased difficulty of preventing injuries in light of the growing power of machinery.[17] Thus, opposing forces are at work in the long-run. In the short-run, fatigue, inexperience, and use of surplus equipment all appear to be important determinants of the rise in injuries as an "upswing" progresses and their subsequent fall in recessions.

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[14] First differences were used to reduce the collinearity among regressors.

[15] A similar two-step procedure was employed by Wachtel and Betsey in their analysis of interpersonal wage differences. See Howard M. Wachtel and Charles Betsey, "Employment at Low Wages," *The Review of Economics and Statistics* (May, 1972, pp. 121–129.

In employing a two-step regression procedure there is created the problem of specification bias due to omitting O_t in the initial equation. In particular, the coefficients of variables positively related to overtime (especially A and C) will be biased upwards. For this reason, another estimating equation was formed, for purpose of comparison, by replacing "average weekly overtime hours" with "average weekly hours" (H in Table I), which was available for the 1948–1969 period. The latter is not as accurate a measure of fatigue, but it is at least in the set of reasonable proxies for worker fatigue; therefore, a one-step estimate of the full equation (H replacing O) should be a fairly good "check" on the results obtained earlier. The results of this one-step estimate are presented on line IC in Table I.

H clearly does not reflect injury-causing fatigue as well as does O; its estimated coefficient has the "wrong" sign in fact. However, the other variables have coefficients insignificantly different from those shown in line IA. It is reasonable to assert, then, that the specification bias inherent in our two-step procedure is not so large as to render our results meaningless.[18]

4. Summary

It is the contention of this paper that much of the intertemporal changes in work injury rates are systematic reflections of long-run incentives to employ safety inputs and shorter-run variations in the difficulty of preventing injuries with a given stock of safety inputs. The results are consistent with this hypothesis and offer two equally distressing

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[16] Smith, *op. cit.*

[17] This result is consistent with that mentioned in footnote 12.

[18] Another possible objection to the results is that accessions and overtime may be simultaneously determined with injuries. To allow for this possibility a two-stage least-squares estimator was employed assuming injuries, accessions, and overtime to be endogenously determined. The results were substantially the same as those presented in Table I.

TABLE I

Estimations of Work Injury Equations

Dependent Variable: Injury Frequency Rate

	Data & Sample Size (N)	Constant O	Estimated Coefficient (Std. Errors) on: A	C	W	T	H	Std. Error of Estimate	R^2	D-W
IA	1st Differences 1948–1969, N = 21	—	—	.602 (.318)	.071 (.035)	−16.53 (4.50)	.650 (.229)	—	.469	.72	1.74
IB	Levels, 1956–1969 N = 14	24.24	.556 (.247)	—	—	—	—	—	.522	.30	1.41
IC	1st Differences 1948–1969 N = 21	—	—	.978 (.361)	.080 (.033)	−14.21 (4.40)	.591 (.217)	−.972 (.528)	.426	.77	2.14

D-W is the Durbin-Watson statistic, a measure of first-order serial correlation among estimated residuals.

SOURCES: For I, O, A, W, H: U.S. Department of Labor, Bureau of Labor Statistics, *Handbook of Labor Statistics 1970* (Washington: Government Printing Office, 1970).

For C: U.S. Office of the President, *Economic Report of the President* (Washington: Government Printing Office, 1970).

conclusions. One is that, in the absence of increasingly stringent legislative incentives, there are conflicting long-run influences affecting work injury rates, the effects of which tend to cancel each other. The second is that a side-effect of prosperity is a rise in work injuries—a rise which, because it is due in part to increased overtime and employee mobility, is likely to occur despite the efforts of existing federal and state safety laws.

The policy implications which can be drawn from this study are straight-forward. First, if work injuries are to be *steadily* reduced over time, increasingly stringent legislation that is *cyclically flexible* is needed; private incentives are not sufficient to achieve steady reduction in injuries. Second, the results indicate that employers respond to pecuniary incentives to reduce injuries. What is suggested, then, is that the government should consider placing a "tax" on work injuries which not only increases over time, but also rises in periods of prosperity. The evidence presented here suggests a "tax" would be effective. The "tax" would also be superior to present safety legislation in that it would leave the firm free to choose its own best strategy to reduce injuries (thus encouraging innovation), eliminate costly inspections, and be more easily adjusted over time.

Some Observations on the Stability of the Black-White Unemployment Rate Ratio

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Despite the occurrence of numerous social and economic changes in the United States, the ratio of the unemployment rate of black workers to that of whites (the B-W ratio) has remained strikingly stable near two during the postwar period (see chart 1).[1] The stability of the B-W ratio has been widely recognized, but as Marshall and Perlman have noted,[2] economists have not yet examined the causes and consequences of this constancy. In this paper we explore the sources of the stability by disaggregating the B-W ratio by age and sex in order to view the individual movements of the disaggregated ratios. Since not all the disaggregated ratios exhibit the stability of the aggregate ratio, exclusive attention to the overall ratio may obscure fundamental structural shifts and thus blur the policy signals emanating from changes in the racial pattern of unemployment.

I. A Test of the Constancy of the B-W Ratio

A test proposed by Solow is used to evaluate the proposition that the B-W ratio is unusually stable.[3] Considering the aggregate ratio as a weighted average of component ratios disaggregated by age and sex, the test compares the actual variance of the aggregate ratio over time with an expected variance computed on the assumption that fluctuations in the disaggregated ratios are random and mutually independent.[4] The Solow statistic for the null case of independence is

$$\sigma_0^2 = \Sigma_i w_i^2 \sigma_i^2 \tag{1}$$

where σ_0^2 is the zero-correlation variance of the aggregate B-W ratio, σ_i^2 is the variance of the B-W ratio for the i-th age-sex group, and w_i is the relative weight assigned to the i-th age-sex group. Predominantly negative correlations among the component ratios would yield a variance of the aggregate ratio less than σ_0^2 suggesting systematic countermovements in the component ratios.

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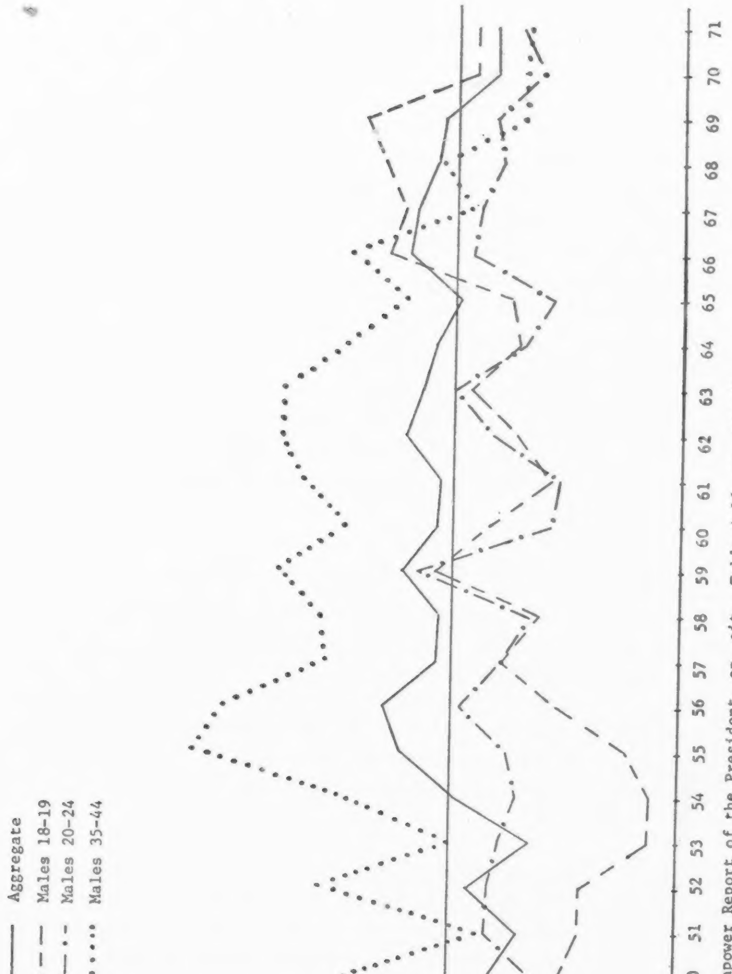
[1] The term "black" is used to designate "Negroes and other races."

[2] Ray Marshall and Richard Perlman, *An Anthology of Labor Economics* (New York: Wiley, 1972), p. 885.

[3] Robert M. Solow, "A Skeptical Note on the Constancy of Relative Shares," *American Economic Review*, Vol. 48 (September 1958), pp. 618–31.

[4] "Unusually stable" is thus taken to mean that there is some systematic tendency for changes in one component ratio to be offset by changes in others.



Source: Manpower Report of the President, op. cit., Table A-16, pp. 178-79.

CHART I
Selected B-W Ratios, Annual Averages 1948-71

The B-W ratios are calculated from two sets of unemployment rate data: monthly data for 1954–71 taken from *Employment and Earnings,* and annual data from the *Manpower Report of the President* covering the period 1948–71.[5] The monthly data allow a four-way breakdown by age (teenage-adult) and sex for whites and blacks, while the annual data are broken down into eight age brackets so that sixteen age-sex groups are available. The annual data provide more detail by age group, but the monthly data may offer a stronger test of the constancy hypothesis since much of the variation captured in the monthly data is likely to be washed out in the process of computing annual averages.

The shares of total unemployment borne by each age-sex group are utilized as the weights required in equation (1). It is quite clear that the weights are not constant from year to year (see table 1). The share of unemployment borne by adult males increases with the unemployment rate as the shares borne by teenagers and adult females fall. A secular decline in the share of unemployment of adult males at the expense of the shares borne by teenagers and adult females is also evident.[6]

TABLE 1
Percentage Distribution by Age and Sex of Average Total Unemployment and Aggregate Unemployment Rate for Selected Years, 1954–71

Age-Sex Group	1956	1958	1962	1963	1969	1971
Males, 16–19 yrs.	9.8	9.0	10.4	12.3	15.5	13.8
Males, 20+ yrs.	52.4	58.3	51.5	48.4	34.0	41.8
Females, 16–19 yrs.	7.6	5.7	8.0	9.4	14.6	11.4
Females, 20+ yrs.	30.2	27.0	30.0	29.9	35.9	33.0
Unemployment rate	4.1%	6.8%	5.5%	5.7%	3.5%	5.9%

Source: *Employment and Earnings, op. cit.,* pp. 166–68, 182.

Table 2 presents the means and variances of the aggregate B-W ratio and each of the disaggregated ratios identified in the monthly data for the 1954–71 period and three subperiods. Three-month moving averages of the underlying unemployment rate series are used to abstract from the apparently random month-to-month variation in the data. The table indicates rising secular trends in the B-W ratios for teenagers while the ratio for adult males is generally declining. The increasing trend in the B-W ratio for teenagers is also apparent in the annual data (see chart 1), but here the decreasing trend for adult males shows up only in the prime worker age groups 24–34, 35–44, and 45–54 years.

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[5] U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings,* Vol. 18 (February 1972); U.S. Department of Labor, *Manpower Report of the President* (Washington, D.C.: Government Printing Office, 1972).

[6] The more complete age classification available in annual data indicates that the share of unemployment borne by males aged 65 years and older behaved in a manner similar to that of the other secondary worker groups.

TABLE 2
Means and Variances of B-W Ratios for Selected Periods, Monthly Observations 1954–71[1]

Age-Sex Group	Jan. 1954– Dec. 1971		Jan. 1954– Dec. 1958		Jan. 1959– Dec. 1964		Jan. 1965– Dec. 1971	
	Mean	Var.	Mean	Var.	Mean	Var.	Mean	Var.
Males, 16–19 yrs.	1.747	.1139	1.392	.0729	1.709	.0331	2.023	.0472
Males, 20+ yrs.	2.222	.0769	2.401	.0316	2.376	.0346	1.967	.0376
Females, 16–19 yrs.	2.280	.0917	2.170	.0979	2.186	.0963	2.436	.0448
Females, 20+ yrs.	1.840	.0310	1.837	.0478	1.896	.0164	1.794	.0277
Aggregate	2.088	.0240	2.125	.0249	2.145	.0111	2.014	.0256

Source: *Employment and Earnings. op. cit.*, pp. 189–94.

[1] The B-W ratios are formed as the ratios of three-month moving averages of black and white unemployment rates for each age-sex group.

Neither the monthly nor the annual data reveal any cyclical movements in the disaggregated ratios, suggesting that the absolute cyclical variability of unemployment rates must be greater for black than for white workers.[7]

As seen in table 2 the variation in the aggregate ratio is less than the component ratios might suggest. With the secular trend in the weights, this might come about if the low ratios gain in weight at the expense of the high ratios when the ratios are generally rising, and vice versa. Following Solow this hypothesis is tested by calculating the variance of the aggregate ratio using a fixed set of weights.[8] For weights calculated at the mid-point of the period (1962), σ_0^2 for the monthly data is .0250 and the fixed weight variance of the aggregate ratio is .0256. The (current weight) variance of the aggregate ratio is .0240 from table 2. The differences between these three estimates are negligible. We must conclude that (1) the secular trends in the weights do not result in the stability of the aggregate ratio, and (2) the aggregate ratio fluctuated about as much as it would vary if the component ratios fluctuated in a chance fashion with positive and negative intercorrelations approximately offsetting each other. That is, the stability of the aggregate ratio cannot be attributed to negatively correlated variations in the component ratios.

For the annual data the mean and variance of the aggregate ratio are 2.004 and .0412, respectively. The same calculations performed on these data as were performed on the monthly data result in zero-correlation and fixed weight variances of .0098 and .0406, respectively, where 1960 weights are used. Thus the current weight and fixed weight variances are almost identical while σ_0^2 is less than one quarter their size. This result is surprising in view of the strong secular trend in the B-W ratio for teenagers and the less dramatic, but nevertheless apparent opposite trend for prime-age males. The predominance of positive correlations among the disaggregated ratios is seen, however, from the fact that only 44 of the 240 covariance terms are negative. The results obtained for the annual data reinforce the conclusion that the stability of the aggregate B-W ratio does not stem from negatively correlated fluctuations in the disaggregated ratios. There appears to be no social or economic mechanism that constrains the fluctuations in the disaggregated ratio so that the historical 2:1 relationship in the aggregate ratio is maintained. The stability of the aggregate ratio appears to be attributable, on the contrary, to the general stability of its components.

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[7] See Harry J. Gilman, "Economic Discrimination and Unemployment," *American Economic Review*, Vol. 55 (December 1965), pp. 1077–96.

[8] Solow, *op. cit.*, pp. 622–23.

II. Further Examination of Selected Disaggregated B-W Ratios

The calculation of the Solow statistic has the important side effect of focusing attention on the behavior through time of the disaggregated B-W ratios. A more intensive examination of the dramatic increase of the B-W ratio for male teenagers is suggested.[9] The relatively high B-W ratio for adult males as typified by males in the 35–44 age bracket also warrants further discussion.

Recent studies by Mincer and Doeringer and Piore suggest that most jobs are learned on the job.[10] High unemployment among teenagers (for those not specializing in formal education) implies temporary attenuation of the training-learning process that may be reflected in lower wages and higher unemployment over a lifetime. But the time paths of the B-W ratios for adult males suggest that the relatively high and increasing burden of unemployment borne by black teenagers is not necessarily detrimental to their relative labor market opportunities (as indicated by unemployment rates) once they become adults. The data utilized here do not allow an analysis that would reconcile the diverging trends in the B-W ratios for teenage and adult males; however, the literature dealing with differentials in black-white employment opportunities may be drawn upon in advancing a tentative explanation. Recent studies emphasizing the impacts of minimum wages, differentials in population growth rates, and the dual labor market hypothesis appear to shed some light on the issue.

Kalachek finds that a positive degree of substitution exists in the labor market between teenage and adult workers so that the lower specific productivity and higher nonwage costs of employment (due to higher turnover rates) of teenage workers can be offset by lower teenage wages.[11] In this context, legal and social sanctions resulting in a wage floor may be viewed as a constraint on the equilibrating mechanism through which wage rates adjust to fluctuations in demand and supply.[12] By reducing the degree of substitution allowed through the market, increases in the level and the coverage of minimum wages would result in the increasing trend observed in the teenage-adult unemployment rate ratio. Since there is not perfect substitution between white and black teenageers in the eyes of employers, black teenagers would be expected to be particularly adversely affected by rising minimum wages. Recent empirical studies by Brozen, Moore, and Kosters and Welch indicate that this is the case.[13]

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[9] The problem suggested by the rise in the B-W ratio for male teenagers is probably understated due to the relatively rapid decrease in the labor force participation rate of blacks, a decrease widely attributed to discouragement in the job search process.

[10] Jacob Mincer, "On-the-Job Training: Costs, Returns, and Some Implications," *Journal of Political Economy*, Vol. 70, Part 2 (October 1962), pp. 50–79; Peter B. Doeringer and Michael J. Piore, *Internal Labor Markets and Manpower Analysis* (Lexington, Mass.: D. C. Heath, 1971).

On the other hand, increases in minimum wages should tend to benefit skilled adult workers, and Kosters and Welch find that white adult males are especially benefited in terms of increased employment stability.[14] As wages received by individual adult workers rise with increased maturity and experience, minimum wages tend to exert less pressure for black-white wage equality so that qualitative differences and tastes for discrimination may show up through wage rather than employment differentials. In their study of males aged 45–59 years, Parnes *et al.* conclude that within every major occupational group white workers have higher wage rates than blacks whether length of service, state of health, or number of years of school completed are controlled for.[15]

Although a hypothesis emphasizing differentials in wage rigidity between teenage and adult workers appears to be consistent with rising B-W ratios for teenagers and nonincreasing B-W ratios for most groups of adults, it is not likely that rising minimum wages are the whole story.

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[11] Edward Kalachek, "Determinants of Teenage Unemployment," *Journal of Human Resources*, Vol. 4 (Winter 1969), pp. 3–21.

[12] A number of factors contribute to the imposition of a wage floor including federal and state minimum wage laws, collective bargaining agreements, and Reder's "social minimum wage" (Melvin W. Reder, "The Theory of Occupational Wage Differentials," *American Economic Review*, Vol. 45 (December 1955), pp. 833–52). Emphasis is placed here on the impact of federal minimum wage legislation because of the availability of recent empirical evidence bearing directly on this impact.

[13] Yale Brozen, "The Effect of Statutory Minimum Wage Increases on Teenage Unemployment," *Journal of Law and Economics*, Vol. 12 (April 1969), pp. 109–22; Thomas G. Moore, "The Effect of Minimum Wages on Teenage Unemployment Rates," *Journal of Political Economy*, Vol. 70 (July/August 1971), pp. 897–902; Marvin Kosters and Finis Welch, "The Effects of Minimum Wages on the Distribution of Changes in Aggregate Employment," *American Economic Review*, Vol. 62 (June 1972), pp. 323–32.

[14] Kosters and Welch, *op. cit.*

[15] H. S. Parnes, B. M. Fleisher, R. C. Miljus, and R. S. Spitz. *The Pre-Retirement Years*, Vol. 1, Manpower Research Monograph No. 15 (Washington, D.C.: Government Printing Office, 1970). p. 240.

Barth observes that between 1954 and 1967 the teenage population grew substantially faster than did the adult population and, moreover, that the population of black male teenagers grew relative to the population of their white male cohorts.[16] Given these differentials in population growth rates, it is improbable even in the absense of minimum wage laws that substitutibility in employment would be sufficient to preclude rising unemployment rates for teenagers relative to adults and for black teenagers relative to white teenagers. It should be noted, however, that the differences in population growth rates began to show up in the labor force in 1963;[17] yet racial differentials in growth rates are not reflected in the B-W ratio for young adult males in the late 1960's and early 1970's.

Except in the period since about 1966, chart 1 indicates that the level of the B-W ratio for males in the age bracket 35–44 years tended to be considerably above the levels of the ratios for males aged 18–19 and 20–24 years. An explanation that appears to account for the differences in the levels of the B-W ratios for adult males relies on the dual labor market hypothesis. This theory distinguishes between the "primary" and "secondary" labor markets, where a fundamental differentiating feature of the secondary market is the lack of a formal structure internal to the enterprise or the occupation that serves to generate employment stability. Black employment opportunities tend to be concentrated in the secondary market, while white workers are much more likely to hold jobs in the primary sector and thus enjoy greater job security as their skills and seniority accumulate. An implication of this hypothesis is that the B-W ratio for adult males old enough to have acquired some seniority in their current employment will tend to exceed the ratio for young adult males. A comparison of the B-W ratios shown in chart 1 for males in the 35–44 year age bracket and males aged 20–24 years indicates that this implication is generally supported by the data.[18]

In line with the dual labor market theory, the distinct downward trend in the B-W ratio for males 35–44 years since the mid-1950's suggests that young adult blacks may have increased their ability to secure jobs in the primary labor market. Increased mobility of blacks into this market might be explained by the effect of the civil rights movement and the Civil Rights Act of 1964 on hiring practices. It should be emphasized, nevertheless, that the unemployment rate for blacks in this age group remains at levels more than fifty percent higher than that of whites.

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[16] Peter S. Barth, "The Minimum Wage and Teenage Unemployment," IRRA *Proceedings* (December 29–30, 1969), pp. 296-310.

[17] *Manpower Report of the President, op. cit.*, p. 79.

[18] A related implication is that the ratio of the unemployment rate of young adult whites to that of whites in older age brackets will exceed the same ratio for blacks. This implication is also supported by the evidence.

III. Concluding Remarks

Our analysis of the aggregate B-W ratio indicates that the historical stability of the ratio at 2:1 is due to the general stability of its component ratios rather than to any social or economic mechanism which generates compensating variations in these components. An implication for policy makers is that the aggregate ratio can be decreased by programs designed to affect particular population groups. Among the disaggregated B-W ratios, attention was focused on the B-W ratios for teenage males. Paradoxically, the strong positive trend in these ratios is not reflected in the B-W ratios for adult male groups. A discussion centering on the differential effect of rising minimum wages, on differences in population growth rates, and on the dual labor market theory is offered to reconcile these conflicting trends. But regardless of the explanation, the rising relative burden of unemployment borne by black male teenagers does not seem to necessarily bias their adult labor market opportunities as reflected in unemployment rates. Presumably the job experience obtained by teenage workers, and especially black teenagers, is not such as to impart a significant degree of specific training or seniority. An implied policy prescription is that public programs leading to more job opportunities for teenagers in general, and black male teenagers in particular, may be an effective way to decrease the aggregate B-W ratio. Programs intended to train teenagers for the future are of a second order of importance in this context.

The B-W ratio for prime age adult males was also examined more closely. While this ratio has been declining for nearly two decades, its level has only recently dipped below two. Our discussion of the underlying causes of this downward trend suggests the need to break down the racial structure of dual labor markets and is consistent with policy recommendations of Doeringer and Piore.[19]

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[19] Doeringer and Piore, *op. cit.*, pp. 204–7.

Utilization of Canadian Scientists: the Education-Job Interface

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The study, whose results are presented in summary form here, originated from the conviction that the education-work relationship is important—especially to professionals and within that group to science graduates. The report received added impetus from a variety of sources: (1) the recent levelling-off in university enrolment and in expenditures for research activities; (2) concern about the state of the labor market for scientists; (3) the demonstrated need to develop and apply better criteria for judging "good" and "bad" utilization; and, (4) the desire to make a contribution in solving problems faced by Canadian society, science graduates, and those concerned with the role of science and scientists in society.

Our task was to examine the education, employment, and utilization patterns of selected Canadian science graduates and to compare the results with previously published findings in and out of Canada. The primary survey of the Canadian group, using a mail questionnaire, was under the aegis of the Science Council of Canada, and a full report will be published as part of a special series by the Science Council. The views expressed here are our own and not those of the sponsoring organization. The highlights here focus on the education-job interface.

I. Education

A. Relevant Published Information

Enrolment in and facilities for science programs at Canadian universities expanded rapidly in the postwar period. In addition to general trends—the growing size of the college-age group and the share going to universities—faculties of science benefited from a trend toward the "pure" and away from the "applied" fields at the undergraduate level. Science graduates as a proportion of all first degree candidates rose from 7 percent in 1951 to 12 percent in 1969. Master and doctoral degrees granted also rose at a dramatic rate. These trends, paralleling those in the U.S., were said to reflect underlying demand, the glamour of research, and other favorable factors for scientific work. But little attention was paid to the relationship of the "total educational package" to the world of work, and to potentially unfavorable conditions on the horizon.

The background and characteristics of science students were the subject of several reports in and out of Canada. A rather consistent picture emerges in Canada, the U.S., and the U.K. Science graduates, when compared with other collegians, come from a high socio-economic background, score very well on most academic tests, and are profession as well as career oriented. In Canada, social origin has been shown to be the best single indicator, other things being equal, of differential income and speed of ascending the administrative career ladder.

B. THE PRIMARY SURVEY AND COMPARISONS

During the autumn of 1970, we mailed a four-page questionnaire to all those who received a bachelor's degree in chemistry or physics, with honours, from a Canadian university in 1954, 1959, and 1964. (It is important to note that the B.Sc. Hon. in Canada implies not so much an academic achievement as a highly structured and more rigorous curriculum.) From a total of 913 potential respondents 633 replied and usable returns totalled 619; the response rate of nearly 70 percent compares favorably with those obtained in official government surveys, except the Census of Canada. Our structured questions focused on the view of the respondents regarding their education, work environment, and the relationship between the two.

We found that Canadian honour graduates in the sciences still come from a relatively high socio-economic milieu. They are seen by others and by themselves as an elite, professional group. Their academic achievements were high, the curricula were rigorous, and 70 percent of our respondents held an advanced degree. When asked the key reason for their choice of an undergraduate major, challenge and interest ranked first, followed by inspiration at the high school level, and career considerations listed third. As one example of a contrast, U.S. science graduates gave an interest in a science career as their first, inspiration in college as their second reason for their occupational choice.

II. Employment

A. RELEVANT PUBLISHED INFORMATION

It is evident that demand for scientific manpower was generally high throughout the 1950's and 1960's, with a slowdown becoming visible only in the past few years. In response to such demand and the existence of limited educational facilities, large-scale immigration of scientists was encouraged. Still, absolute salaries, relative earning levels, and rates of return on education all showed favorable trends. Science graduates could be found in a wide variety of occupations, industries, and functions, with definite concentrations along expected lines, e.g., in research, teaching, and related activities. Geographical mobility was generally toward highly industrialized Ontario (from Europe and the other provinces); emigration was mainly from Canada to the U.S., in response to more tailor-made jobs and higher salaries.

Those with advanced degrees tended to cluster in universities and age-earnings profiles showed a more upward trend than similar curves for unskilled occupations. But very few studies offered an in-depth analysis of income or mobility patterns, or insights on the motivation of scientists.

B. THE PRIMARY SURVEY AND COMPARISONS

About three-fourths of our respondents belonged to 1 of 3 occupational categories: professor or instructor; high school teacher; or physical scientist in industry, government or elsewhere. The remaining fourth belonged to a wide variety of occupations ranging from managers to doctors. While the occupational clustering was paralleled in the industrial and functional distributions, certain results were surprising. For example, in the 1954 class, about 47 percent could be classified as university or high school instructors, but only 28 percent gave teaching as their primary activity; obviously, for some of them research or administration became the key activity. The most frequent type of job shift involved a change in employer, occupation, and industry, followed by a change in employer only. Thus, there is a tendency to continue in the same line of work or to make a major shift in career development.

In comparing the graduates in our survey with their counterparts in the U.S. and U.K., the most striking finding was the relatively high proportion of Canadians in educational institutions of higher learning. For those holding the doctorate, over 60 percent among the Canadians could be found in universities or colleges compared to under 50 percent for U.K. and under 40 percent for U.S. graduates. This situation can be explained in terms of career choice (see above) and employment opportunities. Canadian industry is a low performer in research and development compared to the U.S. and U.K.; this is often attributed to the "branch plant economy" status of Canadian industry. The implications of this in terms of industrial demand for scientific manpower and in terms of entrepreneurial opportunities are rather obvious.

III. Utilization

A. CONCEPTS AND INDIRECT EVIDENCE

Manpower utilization in a broad sense refers to all aspects related to the full and efficient use of labor resources; thus, its scope can range from educational and recruitment practices to matters of motivation and productivity. The brief sections above are relevant to an assessment of utilization in this, its broadest sense. A narrower but useful definition of effective utilization refers to suitable employment for, a useful contribution by, and satisfaction on the part of the individual in light of his ability, education, and experience.

We would suggest ten possible facets of utilization when considering a given type of labor, and advocate comparisons against the total labor force domestically and similar groups in other countries.

1. What are the specific labor force participation and unemployment rates?
2. What are the specific employment and mobility patterns, e.g., industrial distribution?
3. What are the income patterns, e.g., absolute and relative earnings, starting salaries, etc.?
4. What is the record of achievement, e.g., academic grades and degrees, professional development, productivity?
5. What was the nature of the educational process—was the curriculum "sufficient" and flexible?
6. Does the specific education obtained become a prerequisite for the job now held?
7. Is the specific academic degree held useful in the performance of the current job assignment?
8. Could others, with different education, substitute for such individual (s) at the place of work?
9. What are the characteristics of the job and how much satisfaction is derived at the work place?
10. Do the individuals in this line of work have second thoughts about their occupational choice?

Let us comment very briefly on the first four facets here and give a concise view of the others in the next section.

Labor force participation and unemployment rates have been used before as indicators of utilization. The figures for our respondents, 93 and 2 percent respectively, compare favorably with rates reported for similar groups during 1950–1970 in Canada, the U.S., and the U.K. Distribution patterns were used to judge utilization by analyzing the relationship between field of study and type of employment. Like others, we can report an apparently good match between qualifications and job requirements. Thus, for example, few doctoral degree holders are in sales positions where such advanced training would seem superfluous. In regard to mobility patterns, we can report substantial movement, presence of complex job shifts, numerous job offers, and frequent achievement of financial gain upon changing jobs.

B. THE EDUCATION-JOB INTERFACE

Our respondents were asked to rate whether there was too much, too little, or sufficient coverage given to various subject areas in their undergraduate curricula. About three-fourths of each class rated the coverage given to the major field of specialization as sufficient; coverage of physical science courses outside the major was rated almost as highly. Those with advanced degrees and in educational institutions generally gave higher scores than others, reflecting a realization that the honours program is a highly specialized one, serves as preparation for graduate studies, and is designed favorably for those planning academic careers. This was further emphasized by the low "sufficiency scores" given to the coverage of social science, business, and humanity courses and by the comments of a vocal minority who would have preferred a more broadly oriented curriculum.

In a closely related analysis, we examined the extent of concentration in sub-fields (e.g., atomic, classical, etc., physics) within the major field, at the undergraduate, graduate, and work stages. We found considerable flexibility and switching, which indicates a broadening of education on the part of the respondents and good potential for mobility among a variety of sub-specialties.

The next three aspects of utilization, dealing with the necessity, the usefulness, and the "substitutability" of the specific undergraduate (and also graduate) program for present work assignments, were based on questions adopted from major surveys of U.S. college graduates. In our study, about 40 percent of each class stated that the specific undergraduate field was a prerequisite to the current job, while an equally large proportion held that a related field would have served equally well. The remainder stated that any university degree would have been acceptable (17 percent) or that no degree was required for the current position (only 3 percent). These findings parallel those reported for U.S. science graduates. On the usefulness question, about 57 percent of our respondents reported making considerable use and 15 percent occasional use of their undergraduate program. The remainder was divided among those reporting the specific degree of no use, university as generally useful, and the program as inadequate preparation for their work. In responding to our query, "could your job be done by others," about 55 to 60 percent replied no and 15 to 20 percent said that someone with equally high training in another field could do the job (the remainder was divided among "less formal training," "only technical training," and "no answer" categories). These proportions are lower than corresponding U.S. science, but higher than Canadian engineering groups.

When the same questions were posed vis-à-vis graduate education, we found that PhD's scored higher, i.e., reported better utilization of their graduate than their undergraduate education. But those with MSc's rated their advanced training in a less favorable light than the preceding years of education. It would seem that the master-level studies represent a recapitulation of the undergraduate years. The thrust of advanced preparation is at the doctoral level and, like the B.Sc., for certain positions it serves as the necessary prerequisite or "union card" to job-finding and job-holding.

The analysis on the matter of university education being necessary, useful, and non-substitutable on the job becomes much more meaningful when our respondents (all science graduates) were divided into five categories: professors; high school teachers; physical scientists; managers; and all other occupations. On all three aspects of utilization just cited, they ranked in this order. Consider, as one example, the 1959 class and the proportion making "considerable use of the undergraduate education in the performance of the work": professors–77, high school teachers–62, physical scientists–57, managers–19, and other occupations–25 percent. University professors score consistently high on all aspects of utilization, with the results comparable to U.S. figures.

The figures in Table 1 show that about the same proportion of Canadians and U.S. science graduates working *as* scientists claim that the field they majored in is a prerequisite to the work they are doing now and that someone else, with different qualifications could not perform their work. The same questions posed in regard to graduate education (not shown in the table) reveal similar results. But on the question of the undergraduate- and graduate-education being of considerable use in the current job, the Americans score significantly higher. Our explanation for these phenomena is that the degree in both countries acts as a screening device and confers a certain amount of "possessiveness." The results reveal that the U.S. general science curriculum is suitable for science posts and that a closer match between type of work sought and the actual job situation is more possible in an economy which can afford such specialization. If academic openings even for honour graduates become scarcer in Canada during the 1970's—and there is every indication of that—then the implications for honour science curricula are obvious.

We probed our graduates' view of their work environment by seeking numerical answers on a rating scale for such aspects as good working conditions, scope for initiative, opportunities for advancement, and the like. The lowest scores were recorded on the extent to which administrative-planning assignments entered into the respondents' world. The next lowest score was registered on the question probing if the individual was doing "socially useful work . . . dealing directly

TABLE I

Utilization of Undergraduate Education at Work—Selected Canadian and U.S. Science Graduates Working as Scientists.

	Canada BSc. Hon. Chemistry or Physics (mostly men) working in 1970 as physical scientists from the class of			U.S.A. BSc. Class of 1958—men working as follows		
	1954	1959	1964	Physicist in 1960	Chemist in 1960	Natural scientist in 1963
	%	%	%	%	%	%
A. Undergraduate education prerequisite to work.						
1) Yes, this field is needed	29.6	42.6	43.5	40.0	57.6	48.8
2) Related field sufficient	51.9	44.7	37.4	52.9	32.3	34.7
3) Any field sufficient	7.4	10.6	7.0	7.1	3.9	8.6
4) No college degree needed	7.4	0.0	0.9	0.0	3.9	5.7
5) Don't know, no answer	3.7	2.1	11.3	0.0	2.4	2.1
Total %	100.0	100.0	100.0	100.0	100.0	100.0
B. Undergraduate education useful to work						
1) Yes, of considerable use	59.3	57.4	56.5	77.2	73.2	72.7
2) Inadequate preparation	18.5	14.9	13.0	5.7	5.9	8.3
3) Occasional use	14.8	12.8	7.8	15.7	12.7	11.8
4) No use	0.0	6.4	4.3	0.0	2.4	0.8
5) College generally useful	3.7	4.3	7.0	1.4	3.4	3.7
6) Don't know, no answer	3.7	4.3	11.3	0.0	2.4	2.6
Total %	100.0	100.0	100.0	100.0	100.0	100.0
C. Someone else could perform the work						
1) No	71.1	80.3	73.8	70.0	71.6	n.a.
2) Yes, with other formal education	18.4	6.1	4.6	8.6	9.8	n.a.
3) Yes, with less formal education	5.3	3.0	12.3	5.7	12.7	n.a.
4) Yes, with technical, vocational training	0.0	0.0	0.0	0.0	0.0	n.a.
5) None of above fits	5.3	10.6	9.2	15.7	5.8	n.a.
Total %	100.0	100.0	100.0	100.0	100.0	
Total No.	27	47	115	70	205	887

Source: Canada—Primary research by the authors.
U.S.A.—*Two Years After The College Degree,* (Washington, Bureau of Social Science Research for National Science Foundation, 1963), pp. 230–38 and *Five Years After The College Degree, Part II,* (Washington, BBSR for NSF, 1966), pp. A-14 to A-16.

with people." Given the share of respondents with teaching as their primary activity (almost one-third of the total), this is notable and somewhat of a sad commentary on academia. At the high-end of the scale, we found the responses to questions probing working conditions, scope for initiative, and self-confidence to carry out scientific assignments.

Once again, we chose to compare our results with findings from a similar survey conducted in England. There are great similarities between the two surveys. We see professors citing scope for initiative and opportunities for intellectual development, while scientists in industry and government give their highest marks to a congenial atmosphere and a favorable financial situation. The most interesting finding is that those in high school, but not those in universities, see their work as being rich in socially useful aspects. The results indicate that differing work settings offer different job characteristics and, hence, different sources of satisfaction—an important point for job vocational counsellors.

The last way in which we probed the topic of utilization was by directing the respondents' attention back to their original occupational choice. If they could "do it over again," would they choose the same undergraduate major? If they were to advise a young high school graduate, whose abilities were about the same in all fields, would they suggest a science program at a university? In general, from 60 to 70 percent of each class would choose the same major again, while 30 to 40 percent would not; the results are comparable to findings in a recent U.S. survey. Thus, a substantial proportion feel that for them a chemistry or physics honour curriculum was the right decision. The nay-sayers would choose another field of science or engineering (few would opt for the humanities or business), citing chiefly the labor market situation and change in interest as their reasons. But only one-third of our respondents endorse a science major for a youngster without qualification, one-third would so advise with a major qualification, and one-third would advise against it. Professors and high school teachers give a more positive reply on both questions than do physical scientists.

C. CONCLUDING REMARKS ON UTILIZATION

The basic question we tried to tackle was this: Is the deployment of Canadian university graduates from science honour programs appropriate to individual and broader (industrial, national) needs? This broad question had to be approached through more specific, in some cases indirect, lines of inquiry. The answer is a qualified yes and one may speak of reasonably effective or high utilization of such science graduates (both per se and in comparison with U.S. and U.K. groups of a similar nature). Both employment patterns and education-job interface aspects offer many positive results. There is no question, however, that with major changes in the labor market for science graduates, the nature of education, specifically the honour curriculum should be reevaluated and reassessed.

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Application of Judgment Theory and Interactive Computer Graphics Technology to Labor-Management Negotiations: An Example

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Introduction

In his recent text on negotiating, Karrass (1970) emphasizes the apparently unchanging nature of the negotiating process:

> "If a five-thousand-year-old Babylonian were to dress in a business suit and sit opposite us at the table, there is little reason to believe his methods would differ from ours. It is as though time stood still; as though the written word, the printing press, management and the scientific method had never been invented."[1]

Indeed, it is apparent that much remains to be done in the development of scientifically rigorous approaches to collective bargaining. Two essential ingredients of the scientific method, quantification and measurement, are generally absent both in negotiation and in the interrelated field of conflict theory. The study reported here is an experiment with a new approach to bargaining which utilizes judgment theory and computer graphics technology, thus exploring quantification and measurement in a bargaining context.

The authors are arguing for more rigorous analysis of current modes of conflict resolution in labor relations settings. But we do *not* intend to imply that present institutions are utterly ineffective. Indeed, one could argue, and convincingly at that, that the mechanics of conflict resolution in labor-management relations have succeeded marvelously well. Data can be cited to the effect that the percent of contracts negotiated without impasse is high, that the number and percent of man-days lost due to strikes and lockouts is low, and that grievances are efficiently resolved on a day-to-day basis. This debate regarding the effectiveness of collective bargaining and related institutions is pertinent to the study which will be reviewed here, but space constraints force us to yield this debate to another forum.

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[1] Chester L. Karrass, *The Negotiating Game,* (New York: The World Publishing Company, 1970), p. xi.

The study described below represents an effort to move beyond the conventional negotiating methods and to introduce new procedures. These procedures involve the use of computer facilities for *externalizing,* in a visual form, the policies of union and management representatives during the course of negotiating a labor contract. The major question is whether such externalization is more likely to lead to a settlement than the usual verbal methods.

It seems appropriate, before getting into the details of the study, to highlight the basic concepts of the social judgment theory model of conflict which underlies the approach to bargaining to be proposed.

Social Judgment Theory and Computer Interactive Graphics

Traditional theories of conflict focus on self-serving motives, greed and the like, as primary explanatory devices. Social judgment theory breaks with the tradition for three reasons: (1) motivational theory has not sufficiently enhanced our ability to analyze, manage, or reduce human conflict; (2) motivational theory requires us to look for self-serving behavior in the other party when conflict occurs; (3) preoccupation with differential gain (win-lose) as the prime source of conflict diverts our attention from other possible causes, leading to self-fulfilling prophecies. Motives are indeed found to be sufficient causes of conflict because there is not a competing theory to point to other plausible alternative explanations, consequently none are found.

Social judgment theory provides an alternative; it argues that the nature of human judgment is such that it *also* provides a prime source of conflict, and that many, but, of course, not all disagreements flow from the exercise of human judgment. Consequently, even if self-serving motives were eliminated, interpersonal conflict would persist.

The human judgment process has been described by Hammond and others as (1) *covert*—meaning that we must rely on "subjective" reports to "discover" what the judgment process is; (2) *inaccurately reported*—meaning that such subjective explanations are incomplete at best; and (3) *inconsistent*—meaning that identical circumstances do not always evoke identical judgments.[2] Those who have engaged in bargaining can intuitively recognize these aspects of human judgment as common elements in the bargaining process.

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[2] Kenneth R. Hammond and B. Brehmer, "Quasi Rationality and Distrust: Implications for International Conflict," in L. Rappoport and D. L. Summers (eds.), *Human Judgment and Social Interaction,* (New York: Holt, Rinehart and Winston, 1973).

Modern computer graphics devices have been developed at the University of Colorado Institute for Behavioral Science to "externalize" the human judgment process (the software is referred to as the "cognograph" program). In sum, the judgment process is conceived of as a valuation of alternative states of nature in terms of meaningful, identifiable "cues." In labor-management terms, the valuation of collective bargaining contract "packages" (or nature) occurs as the bargainers evaluate their set of "cues" (issues crucial to conflict/agreement in this type of situation).

Thus, if we are to externalize the human judgment process we need to (1) identify cues; (2) determine what weights the judge has placed on each cue (divide 100 points); (3) determine the consistency of the judge in utilizing cues; and (4) define the functional form for each cue as used by each judge (negotiator in the present case). On the function form, for instance, a negotiator might say relative to the wage rate cue, "the more (or less) the better" (linear, positive or negative) or he might say "the more the better, up to a point, beyond which the more the worse" (Dome or Inverse U function). (Walton-McKersie stated this theoretically in 1965.)[3]

Given this cursory background on human judgment theory and computer interaction graphics we turn next to the details of the study to be reported.

The Study

The Dow Chemical Company was approached with the purpose of applying the human judgment computer interactive graphics approach in February 1971 because their Rocky Flats Plant strike (6/28/70–9/5/70), which involved the Allied and Technical Workers' Union, appeared to be a particularly appropriate situation for research. Subsequent to consultation with both labor and management, a *reenactment* of the negotiation using the new procedures was agreed upon.

OBJECTIVES

The major objectives of the study were as follows:

A. Analysis of
   1) the accuracy of negotiators' understanding of their own and their counterparts' contract-judgments.

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[3] Richard E. Walton and Robert E. McKersie, *A Behavioral Theory of Labor Negotiations*, (New York: McGraw-Hill Book Co., 1965), pp. 26, 29.

   2) The nature and amount of real (as against apparent) conflict between union and management negotiators.

B. Introduction of computer graphics in order to
   1) determine whether visual externalization of the policies of the negotiators would result in greater agreement than that obtained by the usual verbal exchanges.
   2) evaluate the feasibility of using this approach in actual union-management negotiations.

Procedure

PARTICIPANTS, ISSUES AND EVALUATION OF CONTRACTS.

Three of the management negotiators and three of the union negotiators who took part in the negotiations agreed to participate in the

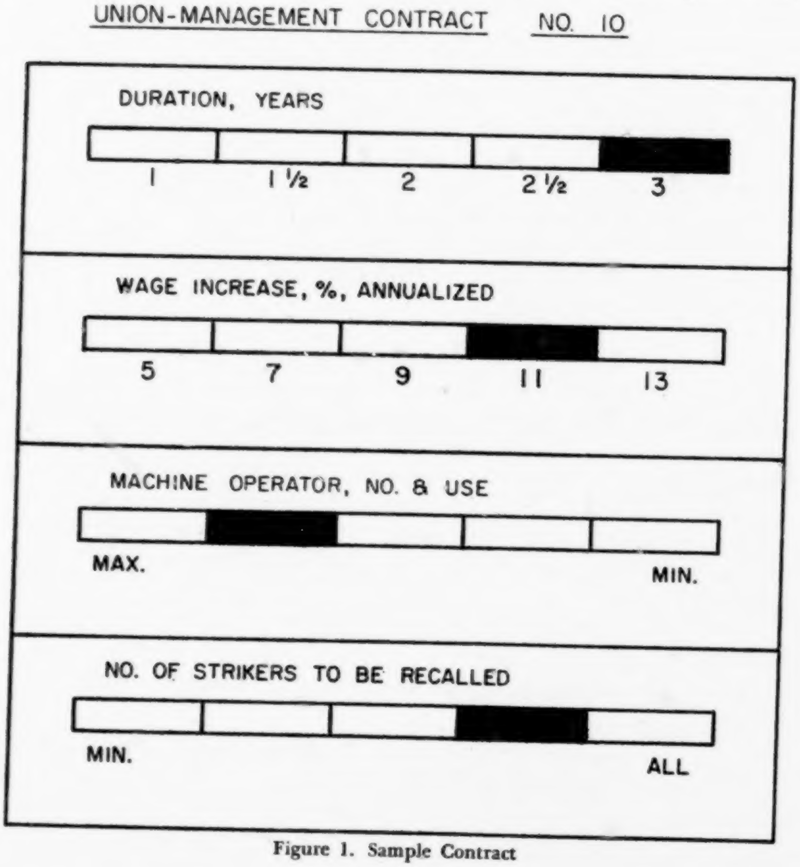

UNION-MANAGEMENT CONTRACT NO. 10
DURATION, YEARS
1
1 ½
2
2 ½
3
WAGE INCREASE, %, ANNUALIZED
5
7
9
11
13
MACHINE OPERATOR, NO. & USE
MAX.
MIN.
NO. OF STRIKERS TO BE RECALLED
MIN.
ALL

Figure 1. Sample Contract

re-enactment study. The issues which were chosen by both union and management representatives to define the negotiation problem were: 1) duration of contract in years; 2) wage increases (annualized percent); 3) number and use of machine operators; and 4) number of strikers to be recalled.

Twenty-five sample contracts, each representing a different combination of values with respect to these four issues, were created. (See Figure 1, which represents sample contract No. 10 with the weights attached to each of the four issues.)

In order to insure clarity and ease of evaluation, each issue was subdivided into five scale values (from lowest to highest) and represented in bar graph form. A seven-point evaluation scale ranging from "recommend rejection of contract" to "recommend acceptance of contract" was designed with the help of one union and one management representative.

There were three parts to the study. In Part I, each of the six negotiators indicated a) his *evaluation* of each of the 25 contracts by sorting each contract into one of seven piles representing the "recommend rejection" to "recommend acceptance" scale, b) his concept of the *weight* he had placed on each of the issues (divided 100 points), and c) predicted how his *counterpart* (union or management) would weight the issues. In Part II of the study, these data were analyzed by means of mathematical techniques, the results "externalized" by means of the computer graphics device, and then shown in pictorial

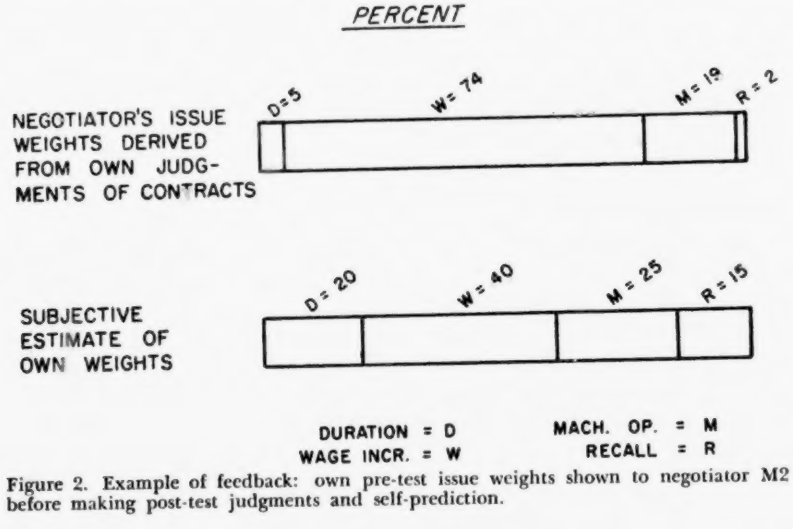


Figure 2. Example of feedback: own pre-test issue weights shown to negotiator M2 before making post-test judgments and self-prediction.

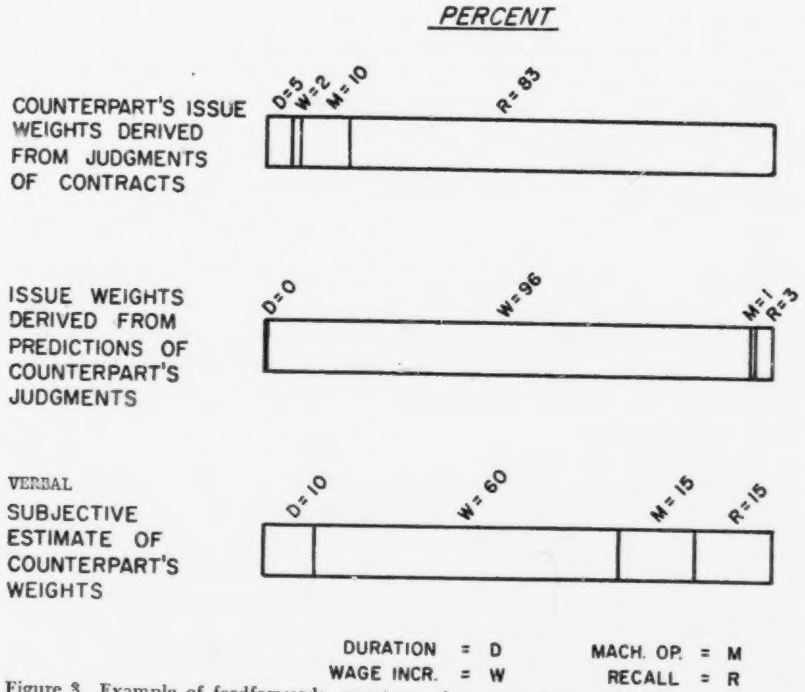


Figure 3. Example of feedforward: counterpart's pre-test issue weights shown to negotiator M2 before making post-test predictions of counterpart, with negotiator's first predictions shown for comparison.

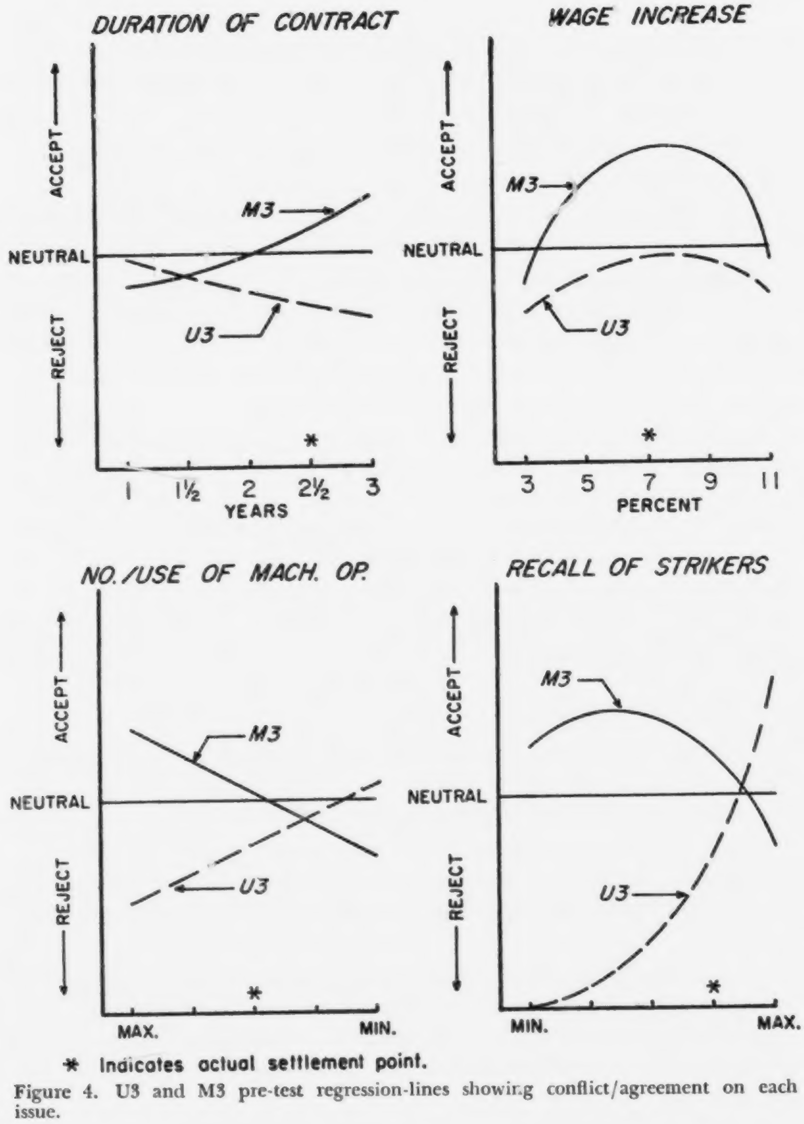
form to *two* of the three pairs of negotiators. (See Figures 2, 3, and 4 for examples of computer output shown to negotiators.) The *remaining* pair used the usual verbal techniques of discussion. In Part III, all three negotiating teams negotiated a contract settlement.

Results

1. Self-understanding of Contract Evaluation Policies.

(a) *Only two of the four issues thought to be significant were in fact significant*: Although both union and management representatives agreed prior to the experiment that there were *at least* four major issues, analysis showed that only *two* of the issues were in fact significant. Only the wage issue was important to management, and only the recall issue was important to the union. (The reader should remember that the re-enactment was intended to represent the final week of negotiations.)

(b) *Negotiators did not estimate accurately the weight they had*



*** Indicates actual settlement point.**

Figure 4. U3 and M3 pre-test regression-lines showing conflict/agreement on each issue.

placed on each issue: Only the estimates of the weights of one of the management negotiators approached those he actually used in his contract-card judgments, and this occurred only in Part I.

Conclusion: Self-understanding and self-consistency on the part of the negotiators were poor. The implications for negotiation are clear: defects in self-understanding, as well as one's own inconsistency, lead to the unwitting communication of false information.

2. UNDERSTANDING: ACCURACY OF PREDICTIONS OF THE COUNTERPART'S EVALUATIONS

(a) *Both sides inaccurate*: Neither side was able to predict the judgments of the other side with any significant degree of accuracy.

(b) *Management improved in accuracy of prediction: Union did not*: It is important to note, however, that predictive accuracy depends on the stability of the target-person as well as the predictor; union negotiators were far more stable and homogeneous, and thus easier to predict, than were the management negotiators.

Conclusion: In general, each negotiator's understanding of his counterpart was poor; neither side has an accurate understanding of the contract-evaluation policy of the other side. This finding illustrates one of the more important contributions of externalization by means of computer graphics. These six negotiators believed they clearly understood their counterpart's policies—a belief based on years of association and negotiation—yet they were wrong. In addition, policy inconsistency made accurate understanding and prediction of the counterpart nearly an impossible achievement in any event.

3. INTRA-UNION AND INTRA-MANAGEMENT UNIFORMITY

(a) *High degree of uniformity among union negotiators*: Union members' evaluations agreed highly with one another; union negotitors could readily have substituted for one another.

(b) *Low degree of uniformity among management negotiators*: Management negotiators were in wide disagreement among themselves. In addition, none of the three management negotiators was self-consistent.

Conclusion: There was a clear disparity in the degree of uniformity of policy between groups; union negotiators were homogeneous, management negotiators were diverse. Indeed, management policy was so diffuse that neither side could have described it accurately, yet this was not apparent to either side.

4. UNION-MANAGEMENT CONFLICT

(a) *Groups in wide disagreement initially*: All three pairs, union and management, were far apart in their evaluations of the acceptability of contracts.

(b) *Negotiators receiving graphics feedback achieved agreement in negotiation phase—others did not*: Only the negotiators who received feedback about their policies from the graphics facility were able to agree on a contract acceptable to both sides. The two negotiators who received conventional verbal explanations from one another continued their conflict in the negotiation phase.

Conclusion: The use of judgment theory and interactive computer graphics facilities led to agreement; the conventional verbal discussion did not.

5. NEGOTIATORS' EVALUATIONS OF GRAPHICS PROCEDURE.

The negotiators participating in this application of judgment theory and computer technology to a labor-management bargaining situation reported that they gained a great deal of insight into their own and their counterparts' judgmental processes. They became particularly aware of their inability to predict their counterpart's judgments, and they pointed out that the new procedure could lead to a more rapid and more accurate identification of important issues.

Participants also suggested that it would be valuable to supply a mediator with this kind of information with the understanding that he would use such information to supplement his usual procedures. Such information would be particularly valuable if used early in the bargaining process. They suggested that if this were done, negotiating time might well be shortened considerably, with obvious benefits to all concerned.

The researchers realize that this attempt to use human judgment theory and computer graphics devices is limited by the facts that (1) a single set of negotiators was studied and (2) the study was a reenactment. But the work reported here is at the frontier stage. Exploration with a new technology will require significant restudy and refining. There is no claim of having found a panacea, but there is cause for optimism regarding our initial attempts to shape a meaningful approach and method. We think that the approach to bargaining suggested here holds promise for collective bargaining, mediation and fact finding.

VII. PRODUCTIVITY AND COLLECTIVE BARGAINING

Productivity and Collective Bargaining in Canadian Manufacturing

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Stagnation 1969–1971

Problems related to productivity and collective bargaining in Canadian manufacturing have been profoundly affected by the North American economic contraction that began in 1969, proceeded through 1970, and turned into a hesitant recovery in 1971.

Between 1969 and 1971 the index of real domestic product for Canadian manufacturing increased by less than one percent compared to a 6.4 percent average annual rate of growth between 1961 and 1969.[1] In 1970 output was 0.9 percent less than in 1969 and total manufacturing employment fell by 60 thousand or 3.5 percent.

The Ontario Federation of Labour, C.L.C., reported that 'in the one year period . . . (June 1970–June 1971) Ontario has had more plant shutdowns . . . than in any one decade since the financial crash of 1929'.[2] In this period 138 Ontario plants closed, had extensive employment terminations or large layoffs, directly affecting 16,224 workers. Seven thousand, three hundred and ninety-four (7,394) of these workers had their employment terminated and 8,830 were indefinitely laid off.[3]

In Quebec 246 enterprises reported plans for substantial employment reductions in 1970 with this number growing to 316 in 1971.[4] Of the 316 establishments reporting in 1971, 95 completely closed down and 193 permanently terminated sections of their operations. In all, 24,000 workers were reported as discharged in 1971 by these enterprises; 15,000 permanently.[5] Overall employment in Quebec manufacturing fell by approximately 4 percent between 1969 and 1971.[6]

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[1] The Honorable John N. Turner, *Economic Review*, (Ottawa: Information Canada, April 1972), Reference Table 23, p. 103.

[2] John W. Elleen and G. Ashley Bernardine, *Shutdown: The Impact of Plant Shutdown Extensive Employment Terminations and Layoffs on the Workers and the Community*, Research Department, Ontario Federation of Labour, August 1971, p. 1.

[3] *Ibid*, p. 9. These statistics are the result of a survey of plants that had 25 or more workers terminated or laid off during the period, June 1970–June 1971.

[4] Unpublished report. Ministère du Travail et de la Main-d'oeuvre, du Québec, Direction génerale de la Main-d'oeuvre, Service des programmes de reclassement, 1972; pp. 4–5. Of the 316 firms reporting in 1971 230 were in manufacturing.

The pervasive nature of stagnation during this period is reflected by a rise in national unemployment from 4.7 percent in 1969 to 6.4 percent in 1971 with unemployment rising in every economic region.[7] Roughly 60 percent of the increase in unemployment between 1969 and 1971 was accounted for by persons who had been unemployed and seeking work for four months or more.[8]

What happens to productivity and unit labour costs in manufacturing during a slump? A standard statistical observation is that declines in output initially produce a marked decline in the rate of productivity growth and a related rise in labour costs per unit of output. Thus the 1.3 percent increase in output per man hour in manufacturing in 1970 was the smallest increase since 1957 (0.6 percent) and the 6.2 percent increase in wages and salaries per unit of output was the largest increase since 1957 (6.2 percent).[9]

However, when the downturn bottoms out and production begins to expand there is usually a significant increase in productivity which has short and long-run implications for employment and output. Minister of Finance, John N. Turner, has reported that 'rapid' productivity gains for the Canadian economy had already taken place in 1971.[10] In a similar vein Quebec's Minister of Industry and Commerce Guy Saint-Pierre has estimated that in 1972 productivity increased 4.2 percent, a rate considerably above the long term trend increase of 2 percent.[11]

Unstable Growth and Contraction

The 1969–71 slump in manufacturing, when measured by changes in output, was not significantly more severe than those in 1953–54, 1957–58, and 1960–61.[12] But its effects in terms of the impact of technological and other industrial change on income and employment security, and patterns of growth has apparently been far more profound. The explanation for this lies in nature of the sustained expansion of output between 1961 and 1969.

A period of sustained expansion is characterized by increasing output and employment accompanied by substantial investment intended to expand output, introduce new products, and exploit growing markets. Growth is by no means uniform among industries.

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[5] *Ibid*, p. 4.

[6] Ministère de l'Industrie et du Commerce (Québec), *La Situation Economique au Québec 1971*, Tableau 29, p. 64.

[7] Turner, *Economic Review*, Reference Table 34, p. 117.

[8] *Ibid*, Table F, p. 72.

[9] Turner, *Economic Review*, Reference Table 42, p. 125.

[10] *Ibid*, p. 7.

[11] 'L'economie au Québec se remet mais moins rapidment qu'ailleurs au Canada', *Le Devoir*, 18 dec., 1972, p. 1.

[12] See, Turner, *Economic Review*, Reference Table 24, p. 105, and Canada Department of Labour Economics and Research Branch, *Canadian Wage Behaviour in the Post War Period*; pp. 10–11.

Fast growing industries tend to lead the upswing. (Transportation equipment, electrical products, and primary metals would be examples of pace setters during the 1960's.)[13] Other industries developed less spectacularly but none the less steadily in response to actual and expected demand. (Paper and wood products and printing would fall into this category.)[14] In these expanding industries investment in new technology, development of new products, and improved location with respect to growing markets helped to meet expanding demand for output. And while there may have been employment dislocations in some firms, and certain plants whose operations were below the accepted level of profitability were shut down, in general the burdens of such change were considered to be manageable.[15]

A number of industries grew relatively slowly. (Textiles, leather products and furniture would be included here.[16]) In these industries where a substantial number of firms faced declining demand for their products and were located in declining economic regions, investment caused employment dislocations that were quite difficult to deal with. In these cases unemployment rose substantially even while the general economic expansion was still underway.

From time to time major technological breakthroughs, new resource discoveries, and other developments that economists label as exogenous caused major problems of actual or threatened employment dislocation.[17] Typically labour management struggles and collective bargaining produced adaptations of one kind or another.

While the expansion of 1961–1969 was proceeding more or less as we have described it above, the haphazard nature of Canadian industrial development was creating the problems that came home to roost in 1969, 1970, and 1971. The following three case studies are illustrative.

Northern Electric

In 1961 Northern Electric Company, one of Canada's largest producers of electrical equipment built a large facility near Brampton (now Bramalea) Ontario to produce a technologically advanced line of products with high growth potential. At that time production of these products as well as approximately two-thirds of the company's output was being produced in Montreal. Faced with protests from the Association representing the 600 workers employed in the plant to be closed in Montreal, the company explained its decision to move in terms of the inability of the existing Montreal facility to meet its needs for expansion, but more importantly in terms of the political and market pressures for relocating in Ontario. Here is an excerpt from a letter written by a Company Vice-President to the President of the Northern Electric Employee Association.

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[13] Dominion Bureau of Statistics, *Annual Census of Manufacturers*, 1960–1970.

[14] *Ibid.*

[15] See the Northern Electric Case below p. 6.

[16] *Ibid.*

[17] Two examples of this are: innovations in the use of photographic reproduction techniques and computerized composition in newspaper publishing, and the development of a process that allows trees grown in the south-eastern forests of the United States to be used in pulp and paper production thereby affecting demand for Canadian paper products.

> It is, of course, of as vital interest to your Assoication as it is to the owners of the Company to protect our sales position in Ontario as well as in Quebec and the rest of Canada. You will appreciate from the comparative figures provided above that the best interests of the Association and the Company are served by taking such action as may be required to protect our position in the Ontario market. This then is one of the prime factors governing our planning to make somewhat more equitable the relationship between our sales volume and our manufacturing effort in Ontario as compared with Quebec.[18]

It is worth noting that because this firm is in an industry where demand is expanding the 1962 economic recovery made it possible for the workers, who were dislocated by the move to Ontario, to be absorbed into other production units of the Company in Montreal.

In 1965–66 the Company found that the Bramalea, Ontario labour market was not well suited to its need for rapid expansion of production of this product. Tight labour market conditions,[19] including competition for skilled labour from a neighbouring electric products plant prompted the Company to bring an impartant part of this work back to Montreal, where it rented a building and resumed production using many of the experienced workers who had been scattered to other Montreal company locations. This work continued in Montreal, with employment rising to nearly 1000 in the rented building, until 1969–1971 when the downturn in the economy created a significant amount of idle capacity and unemployment in the Ontario location, at which time the Montreal plant was closed and the bulk of its work consolidated in the newer plant in Ontario.

Average company seniority of workers in the shutdown Montreal plant in 1971 was ten years for males and seven years for females. By the early months of 1972 it was necessary to have nearly 20 years of seniority to bump into other Northern Electric plant locations in Montreal.[20]

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[18] Excerpt from a letter to Mr. René Emard, President, Northern Electric Employee Association, F.F. Fulton, Vice-President Industrial and Public Relations, Northern Electric Company Limited, June 30, 1961.

[19] In 1965 and 1966 unemployment rates in Ontario were down to 2.5 percent. The Hon. John N. Turner, *Economic Review*, Reference Table 34, p. 117.

The Pulp and Paper Industry

Vigorous investment in the mid 1960's which became overinvestment by the end of the decade created over-capacity in the pulp and paper industry.[21] These investments embodied modern technology in new plants and machinery which existed together with an accumulation of older inefficient operations as long as actual and *expected* demand was high.[22]

When world demand for pulp and paper declined in 1970, as part of the general economic contraction described earlier, shutdowns and layoffs predictably followed.[23] But the effect of reduced demand was not a random one. Older mills with older technology, often disadvantageously situated with respect to raw materials and markets, bore the brunt of the downturn. Most of these facilities were located in Eastern Canada.[24]

A submission by the International Brotherhood of Pulp, Sulphite and Paper Mill Workers to an Industrial Inquiry Commission in New Brunswick in February 1972 illustrates the situation.

> The mills in Northern New Brunswick are not competitive anymore. In an age of automation and sophisticated technological changes, they have become obsolete. Even during periods of economic recovery they will drag their feet. A period of recession folds them up.
>
> It is very indicative that none of the newer mills in the province, properly equipped, have had to reduce production. But

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[20] Northern Electric employment of production workers in the city of Montreal was reduced by 1051 in 1970, 765 in 1971, and by 405 during the first 10 weeks of 1972. This data is contained in a letter to The Honorable Jean Cournoyer, Minister of Labour, Quebec, from Gordon P. Meehan, President, Canadian Union of Communication Workers (formerly, the Northern Electric Employee Association) March 15, 1972.

[21] *Pulp and Paper Report*, published by the Canadian Pulp and Paper Association on the occasion of its 59th annual meeting, Montreal, January 1972, p. 4.

[22] Investment decisions and estimates of the economic viability of older plants were undoubtedly influenced by a forecast by the United Nations Food and Agricultural Organization that world demand for pulp and paper would double between 1970 and 1975.

In addition a number of provincial governments and the federal government provided incentives for the building of new mills and processing plants in order to create employment in certain economic regions.

[23] The appreciation of the Canadian dollar relative the the United States dollar during the period provided further competitive problems for the industry.

[24] An official of the Canadian Pulp and Paper Association interviewed in November 1972 declared that there had been nine major shutdowns (50 workers or more) in the industry in 1971 and 1972. He estimated that approximately 2500 employees had been discharged.

> the cost of automating an old mill can run very high, even to the point of being considered prohibitive by owners, too often preoccupied with immediate profits.[25]

Courtaulds (Canada) Limited

The Courtaulds (Canada) Limited is a firm that had been in operation as a textile manufacturer in Cornwall, Ontario, since 1925. In 1969 it closed down its textile plant eliminating almost a thousand jobs. The reason for the shutdown was complex but an important element was the company's failure to innovate and modernize during the 1960's.

> One problem the company did not face up to was the question of efficiency. Courtaulds did not keep pace with the increase in technology which occurred in the industry in the late 50's and early 60's. Mr. W. Cowling, Plant Manager, says that viscose process which is a wet spinning process of manufacturing does not readily lend itself to automated processes, which both nylon and polyester were suited for. In 1963, however, they started into the nylon field, a bit late and on a small scale. The plant also branched out into Polymer, but this proved unsuccessful and failed almost immediately afterwards.[26]

An interview with the mayor of Cornwall in 1971 produced the following comment.

> This industry he felt helped build Cornwall, but within recent years it needed the assistance of the parent plant to improve and modernize its operations, this was never forthcoming from the head office in London. Also the federal government action to remove sooner than necessary the tariff protection given the industry under the government agreement (under the G.A.T.T. agreement the tariff protection in the industry was to be phased out in five years, the federal government phased it out in three years), exposed the industry at a most delicate time to the onslaught of cheaper foreign textile imports.[27]

Productivity and Collective Bargaining

In sum, the sustained expansion of the 1960's produced new plants, new technology and new plant locations that existed together with older facilities and makeshift arrangements. This is a normal state of economic affairs, the old and the new, the permanent and the makeshift always exist simultaneously.[28] Ironically the sustained expansion and its inflation of expectations about future growth and stability apparently produced an accumulation of inefficient and economically obsolete facilities that were squeezed out of existence when demand weakened in 1969-1971. This squeeze out was a classic form of Shumpeterian creative destruction—the old and inefficient are destroyed and when the economy emerges an important component of its short run and long run increased productivity comes not simply from economies of scale and management cost cutting efforts with existing plant and equipment, but from the fact that on average remaining producers are operating more modern facilities.

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[25] Submission of International Brotherhood of Pulp, Sulphite and Paper Mill Workers to The Industrial Inquiry Commission on The Pulp and Paper Industry in New Brunswick, February 1972, pp. 11–12.

[26] Eleen and Bernardine, *Shutdown: The Impact of Plant Shutdown, Extensive Employment Terminations and Layoffs on the Workers and the Community*, p. 115.

[27] *Ibid*, p. 116.

The burden of these events falls almost entirely on the industrial worker in the form of job loss and the accompanying loss of acquired seniority rights, unemployment, the destruction of skills, and in many cases, the destruction of his community. Perhaps the most socially reprehensible aspect of this process is the disproportionate burden borne by older workers.

Shutdowns take place because facilities become relatively inefficient in terms of their unit cost of output. Part of the problem is that these facilities become technologically backward but another aspect of these decisions is related to the average age of the work force. This latter factor seems to have been important in closing the Courtaulands textile operation in Cornwall.[29]

Older plants have older workers and assuming that these plants are equally efficient and adaptable as comparable plants with younger workers, unit labour costs tend to be higher in these plants because of fringe benefit structures.[30]

In particular, the trend toward lowering requirements for fully funded retirement and extending vacation periods for high seniority workers has a greater cost impact on older production units than on newer installations.[31]

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[28] For an excellent technical discussion of this see, W.E.G. Salter, *Productivity and Technical Change* (Cambridge: At the University Press, 1966), Ch. 2.

[29] Eleen and Bernardine, *Shutdown: The Impact of Plant Shutdown, Extensive Employment Terminations and Layoffs on The Workers and the Community*, p. 116.

[30] The Thorne Group Ltd., Management Consultants, *Ninth Annual Study of Fringe Benefit Costs in Canada*, Toronto, 1971; reports that fringe benefit costs to employers have nearly doubled during the last 20 years. Nearly half of that cost rise appears to have come in the last four to six years. Canadian employers now spend from one fifth to one third of total payroll costs on fringe benefits. The 1971 national average was 29.04 percent of total payroll, or $2,468 per employee.

[31] See, 'Retirement age drops, costs rise', *The Financial Post*, July 1, 1972, p. 1. The Thorne Group Ltd., Management Consultants, *Fringe Benefit Costs in Canada, 1971* shows that the most expensive fringe benefit is the cost of paid time off which vacations is the most important element. Vacation pay averaged $468 per year in 1971 (compared to $377 in 1969) and accounted for 5.49% of total payroll cost.

Collective bargaining during the 1960's produced a battery of contractual clauses designed to cope with the kind of industrial and technological change that takes place within a general expansion.[32]

However, an analysis of over 1,000 collective agreements in force in Ontario manufacturing industries in 1967 reveals that only 31 percent contained provisions covering 'technological and other industrial change.[33] Though the Honorable Justice Samuel Freedman had brought forward, in 1965, a number of farsighted recommendations to government on means to improve industrial relations mechanisms for dealing with major technological change,[34] by 1970 only the province of Quebec had taken any significant step in this direction.[35]

When the slump hit Canadian manufacturing in 1969 and 1970 it was obvious that collective bargaining had not and most likely could not, as we now know it, adequately cope with the magnitude of the problems that developed.

Here is the stunned reaction of the Research Department of the Ontario Federation of Labour.

> Although we have always had plant shutdowns, terminations and layoffs, they were never so extensive nor did they affect so many people in one given period since the depression of the 1930's. In addition, until very recently, no concerted effort had been made to solve the problem. Consequently, our experience with this kind of situation was very limited.
>
> The unions were unprepared—the few collective agreements that did have technological change clauses were inadequate to meet the situation since most of these clauses were quite weak, some providing little more than just specifying that the union shall be notified prior to the plant shutdown. Some of the clauses refer to 'consultation' which is so vague as to be almost meaningless.[36]

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[32] See, Canada Dept. of Labour, Collective Bargaining Branch, *Response to Technological Change, A Study of Technological Change Provisions Contained in Major Collective Agreements, Effective in Canadian Industries, 1967*.

[33] Ontario Department of Labour, Research Branch, *Technological Change Provisions in Ontario Collective Agreements, Ten Manufacturing Industries*, (August, 1967). 'Technological and other industrial change' in this study is defined as any 'innovation that affects the production and distribution of goods and services. This innovation may take the form of new machinery and processes, new products, changes in old products, new materials, new sources of power, reorganization, opening or closing of plants, and mergers and consolidations.'

[34] Canada, *Report of Industrial Inquiry Commission on Canadian National Railway 'Run-Throughs'*, Queen's Printer, Nov., 1965. (Condensation of Report in *Labour Gazette*, Jan./Feb. 1966, pp. 4–6.

[35] Government of Quebec, article 45 Manpower Vocational Training and Qualification Act, Chapter 51 of the statutes of 1969.

[36] Eleen and Bernardine, *Shutdown: The Impact of Plant Shutdown, Extensive Employment Terminations and Layoffs on the Workers and the Community*, pp. 88–89.

Some Concluding Observations

The negotiation of collective agreements in the coming period will undoubtedly be influenced by the events of 1969-1971. Early retirement,[37] improved vesting of pensions, relocation allowances, technical change, job security, retraining and related clauses will all be high on the agenda of many negotiations. In many industries improvements of this kind are clearly necessary. But one moral of this paper is that when major dislocations take place collective agreements are insufficient to deal with the problems that arise.

Major industrial and technological changes, especially when they are intimately linked with cyclical economic behavior, require wide ranging community resources to deal with worker and community problems. In response to this need Quebec included in its employment standards legislation, in 1970, provisions to deal with substantial job terminations and discharges.[38] Since then Ontario,[39] has also passed and the federal government is considering legislation designed to aid workers faced with job loss.[40]

The Quebec legislation requires that any employer who for technological or economic reasons, foresees having to make a collective dismissal, shall give advance notice to the Minister of Labour. Advance notice by employers who make collective dismissals is required as follows: two months when the number of dismissals contemplated is at least equal to ten and less than 100; three months when the number is at least 100 and less than 300; four months when the number is at least equal to 300.[41]

Notice of collective dismissal is given to the Manpower Branch of the Department of Labour which then notifies workers or their representatives. At that stage, the employer is required to participate immediately in a committee made up of equal numbers of employer and union representatives and an impartial chairman. The committee's task is to study and recommend practical measures for the re-employment or retirement of dismissed workers. In 1971 seventy such committees were actively functioning.[42]

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[37] Full pensions after 30 years of service at 58 years of age were negotiated for workers in the automobile industry effective October 1, 1971. Full federal government pensions are available at age 55 with 30 years of service.

[38] Manpower Vocational Training and Qualification Act, Chapter 51 of the statutes of 1969 and General Regulations (Collective Dismissal Advance Notice) para. 80, 601 to 80, 757.

[39] The Employment Standards Act, 1968, amended and Termination of Employment Regulations, para, 61, 101 to 61, 181.

[40] Canada Labour Code, para. 4601 to 4773, and Labour (Standards) Code, para. 7801 to 7821.

[41] Gouvernment du Québec, Chapter 51 of the statutes of 1969, Quebec, July 1970, p. 15.

Early reports about the effectiveness of these committees is mixed. Most trade unionists I have spoken to are skeptical about the value of these committees thus far. Management people have been non-committal. The main criticism of union people is that the committees give threatened workers a false sense of security when in fact there is very little they can do for the overwhelming majority of dismissed workers.

A fundamental solution to removing the burdens of creative destruction is to recognize that from the viewpoint of modern Canadian society creative destruction, because it indeed is not creative, must become an archaic historical phenomenon. This will only be possible when industrial and technological change in manufacturing and other industries comes under man's rational control.

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[42] Unpublished report, Ministère du Travail et de la Main-d'oeuvre, du Québec, Direction génerale de la Main-d'oeuvre, Service des programmes de reclassement, 1972, p. 5.

Productivity and Collective Bargaining in Higher Education

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In discussing productivity and collective bargaining in higher education, I shall confine myself mainly to the case of the American university, seen as an institution containing (a) an undergraduate college, (b) graduate programs leading to the Ph.D., and (c) professional schools. My general observations are the following: (1) collective bargaining is likely to enhance productivity of universities in teaching of undergraduates; (2) collective bargaining is likely to have deleterious effects on the quality of teaching and research in graduate faculties, as such quality is conventionally measured; and (3) professional schools, especially high status ones, such as medicine and law, stand especially in a position of risk. It is my further general conclusion that collective bargaining will affect greater change in university practices than it has, for example, in the practices of elementary and secondary schools.

Difficulties in Measuring Productivity Change in Higher Education

Measurement of productivity is most easily made when questions of change in quality of outputs (and quality of inputs as well) can safely be ignored. Yet, in higher education quality of program (outputs) has been a major concern. The difficulty is compounded when there is no readily available *numeraire* to allow comparisons to be made between assumed quality changes in one program (or in one institution) and those in another.

One effort to establish such a *numeraire* has been based on lifetime income differentials of graduates (present value, of course). Aside from being grounded on the dubious assumption that universities find their reason of existence in growth of GNP, these methods have a peculiar difficulty of their own, namely, the problem of disentangling changes in quality of entering students from productivity of faculty. Without adequate measures, other than intuitive, of either variable, and in the absence of well-established education production functions, little can be done. A similar problem adheres to efforts to measure changes in quality of outputs of scholarly departments by reference to numbers of papers published by their graduates in referred journals, and both such kinds of assessments provide data only with a considerable time lag, so considerable, in fact, that the qualitative assessment of a given department's productivity may yield absolutely the wrong signals about the effectiveness of the department's faculty in the *current* time period.

So efforts to measure productivity in higher education are likely to ignore changes in quality of inputs and outputs. Some years ago, I went to Colombia to prepare a report on the relative efficiency of the country's universities for the Association of Colombian universities. From ordinary observation, one could see that the country had an unusually large number of institutions that called themselves universities, that proliferation of "specialties," i.e., departments, was extreme, that students were unduly confined to instruction by faculty members of the one specialty in which they were enrolled, and that student wastage rates were very high. For better or worse, and using all the data at hand, I constructed an index of "productivity," in which the output measure was degrees and certificates awarded over a period of time, weighted by stated length of program (students in progress were counted as if they were certain to complete), and in which inputs were total student years of enrollment during the given period (as a proxy for all inputs). It was possible, of course, to compare rankings of universities on such an index with a ranking in terms of educational expenditures per student, and it was also possible to raise questions, for what they were worth, about the value to the country of different kinds of degrees (why over a five year period were several hundred graduates in architecture produced and only 3 mathematicians?).

Now, I find that a similar procedure is being used to regulate student places (enrollment quotas)—and, hence, permissible numbers of faculty positions—in the Univeristy of California. Quotas are related to a "productivity index," which itself is established in terms of points for degrees/certificates awarded (in a given department or division), divided by aggregate student enrollment over a period of time. A department raises its entitlement by taking action to reduce student wastage and to get students quickly to their degrees. Quality considerations enter mainly through the device of adjusting (further) the quotas by taking account of employability of graduates, but this procedure incorporates measurement of general market conditions as well as of the productivity of a particular departmental faculty.

Changes to Be Expected Under Collective Bargaining in Higher Education

I see collective bargaining as much a change in power alignment within universities as a change in power alignment between universities and the outside world. In major universities, great power is held by faculty; faculty, indeed, are at the same time employees and employers. This is true even for groups of faculty members who do not move into an out of managerial positions—department heads, deanships, provost positions, and the like—because respected professors are, so it is thought, entitled to choose their peers and to be consulted abut major policy developments. However, not all faculty hold a place in the inner circle of power. The young generally are excluded, though seniority alone does not buy a place. Great accomplishment in research and writing generally opens the door to power; grantsmanship and service on university committees may do likewise. But the rules are flexible and are not to be cast in quantitative terms. "Page counting" as a means of judging research output is *infra dig*; one good article that represents a "breakthrough"— and only those who hold power are entitled to decide what is and what is not a "breakthrough"—is worth a dozen published in third or fourth rate journals.

Collective bargaining, in my opinion, offers little to university faculty who are in the inner circle of power; as a matter of fact, it may bring them substantial losses. The energy to establish collective bargaining in higher education is probably to come from members of universities who regard themselves as outsiders—the younger faculty and those who the present reward system does not favor, e.g., faculty members who are interested primarily in teaching, not research. Collective bargaining is a means by which those who are presently outside the power structure of universities will attempt themselves to seize power.

Two groups of "outs" can be readily identified: (1) young faculty members and (2) relatively senior faculty members who look with disfavor—for whatever reason—on the (almost exclusive) use of research skills and research contributions as the measure of professional excellence. Given that the present system seems to work hardships on students (the highly successful faculty member is frequently "too busy" to meet individually with students and, so it is alleged, may spend too little time on his teaching duties in general) and given that the present generation of younger faculty appear to be offended by this characteristic of university operation, these two groups of "outs" may well be natural allies.

Once this new power alignment wins a representation election in a given university—and let us assume that, as is true in New York, New Jersey, Michigan, Massachusetts, and Wisconsin, no serious legal barrier stands in the way of collective bargaining in higher education—what is likely to follow? The easy answer is that faculty will bargain strenuously (wih whom is not always clear) for salary increases and, to a somewhat lesser degree, for decreases in workload. If this is all that would happen, I submit that collective bargaining will have little effect on higher education in American. But the indications are that claims for higher pay and smaller classes will simply be a cover for a more profound struggle over changes in the way that universities are run.

Traditionally, collective bargaining seeks equal treatment of individuals in the given context—indeed, one of the prime forces that leads to the installation of bargaining is the feeling that management has treated individuals unfairly, that it has shown favoritism to individuals who have supported the system, etc. As Mr. Justice Jackson said over a decade ago: "The practice and philosophy of collective bargaining looks with suspicion upon individual advantage . . . . The workman is free, if he values his own bargaining position more than that of the group, to vote against representation; but the majority rules, and if it collectivizes the employment bargain, individual advantages of favor will generally in practice go in as a contribution to the collective result."[1]

Of course, no one proposes that all faculty be treated exactly alike at any point of time—not all faculty are to receive the same pay, for example. To make inequality tolerable under majority control requires precise rules. The rules must be explainable to lawyers who will represent opposing parties in grievance procedures (if a contract is enforceable, it is implied that grievance machinery be established). If rules are to be understood by third parties, they are likely to be expressed in quantitative terms. I have already indicated that "research productivity" is not in any useful sense quantifiable, and its assessment is largely judgemental. It does not fit confortably as a justiciable basis for advancement. Imagine that Professor X believes he has been passed over for promotion in favor of Professor Y. Professor X's lawyer could call expert witnesses to state that his client's book was at least as good as that of Professor Y and the university's lawyer could likewise call expert witnesses to contend that Professor X's book lacked merit while that of Y's was outstanding. But it would be a messy and ego-bruising process. What can be done quietly by peers in a committee room cannot be well done in a public confrontation.

What, then, of seniority as a basis for regulating advancement? Seniority is the most common of such means that are dealt with in union contracts. I suspect on the basis of experience so far in public sector bargaining that, while seniority may some to play a marginally greater role than it now does, it will not replace research productivity as the prime criterion for advancement. On the one hand, faculty members are generally inclined toward merit as the basis for promotion. On the other, one of the chief groups likely to support collective bargaining, namely, younger faculty, could not find a system based exclusively on seniority appealing.

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[1] J. I. Case Co. v. NLRB, 321 U.S. 332, 338–39, quoted in Donald H. Wollett, "The Status and Trends of Collective Negotiations for Faculty in Higher Education," *Wisconsin Law Review*, Volume 1971, Number 1, pp. 18–19.

What the likely replacement of research productivity is to be, in my opinoon, is teaching proficiency. There are several reasons. First, teaching is something every educated person, including lawyers, feels he understands. Secondly, to be judged on the basis of teaching is less threatening, I believe, to ordinary faculty members than to be judged on research. If one's teaching is deficient in some respect, then hard work some of which may even be enjoyable, should improve it; no such confidence can one have about one's ability to upgrade sharply the standards of his analysis and writing. Collective bargaining, that is, may bring the comfort that many university faculty have long sought. Third, in a number of fairly non-threatening ways, assessment of teaching proficiency is quantifiable. One can submit information on class hours, number of courses taught, new courses introduced textbooks written, questionnaires submitted to students, filmstrips prepared, enrollments, and graduates. (Of course, if one goes on to measure how much students have actually learned in Professor X's classes, the assessment may become threatening.)

What would be the effects of this shift in process of faculty advancement on productivity in universities? (1) Faculty should become more willing to spend time in teaching, including the teaching of undergraduates, at the expense of research, travel, negotiating for grants, etc. (2) Faculty members should be interested that students are willing to enroll in their classes. (3) Faculty should be interested to see that students complete their studies and obtain their degrees within the normal period of time. These three pressures should serve to increase the productivity of the teaching functions of the universities, especially in undergraduate programs. They well could overcome the effects of professors' unions in bidding down maximum class size. They should temper any inclination on the part of the *university* faculty to seek a reduction in maximum class hours per week.

However, if pressure to meet quantifiable standards of teaching proficiency is great, quality of teaching as we have known it in the past may suffer, as may quality of degrees. Frequently, certain teachers of great intellectual prowess and renown suffer students, especially the less interesting ones, poorly, and they consequently may have small enrollments. But for the eager few who are able to stand up to the pressure, attendance in such a person's classes is a rare privilege. Yet, such eccentric behavior on the part of a faculty member might not be easily condoned under enforcement of collective bargaining agreements. Similarly, pressure to see that as many students as possible obtain their degrees without delay might lead to a lowering of academic requirements for degrees.

Oversupply in the Market

With respect to other developments that collective bargaining may be associated with, we must take account of a powerful exogenous force for change, namely, oversupply of talented young men and women, well-qualified, who seek appointments in universities. The market for Ph.D's is bad, and it's bad in part for the reason that—unless something drastic is done, and perhaps even then—undergraduate enrollment is about to level out. It is a problem basically of the birth rate.

The market situation will probably be responsible (in part) for bringing young faculty into the union movement. In exchange for their support in establishing collective bargaining in higher education, young faculty will expect benefits, though not immediately, I would judge, in salaries. First, they will seek to have tenure awarded earlier in the career of the university faculty member, with the award possibly reflecting th completion of a certain number of years of satisfactory teaching experience. Second, they will favor "open admissions" to raise student enrollment and create more faculty positions. (It is not at all certain, however, that collective bargaining will free additional amounts of money for scholarships; hence, some students who enter under an "open admission" policy may find that they are unable to keep their grades up to a satisfactory standard in the face of the need at the same time to make a living. Accordingly, an open admissions policy, alas, may become a "revolving door" policy in actuality.) Third, younger faculty will support continuing education, community involvement, and extension programs, partly through sheer activism but partly also to increase enrollments. Fourth, younger faculty will support pension plans, in the hope that such plans will encourage senior faculty to retire earlier. Pension liberalization, moreover, has two other points on its side: (a) it is a good thing to do to win support of senior faculty, and (b) large, dramatic increases in pensions are ordinarily subject to amortization of costs, and, hence, the financial burden to the employer in the short run is often very small.[2]

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[2] In 1972, the New York State Commission on the Quality, Cost, and Financing of Elementary and Secondary Education (Fleischmann) drew public attention for the first time to the large future costs, running into billions of dollars, of the 1969 agreement on pensions with UFT. These costs have not yet been recognized in any serious way in the New York City budget.

Democratization Among Departments, Schools and Institutions

If one assumes under collective bargaining that the primary measure of a faculty member's worth becomes his proficiency and industry in teaching and if one makes the likely further assumption that all kinds of teaching come to be described as equally important, then the bases by which some departments in a university acquires more resources, relative to their enrollments, than others, such bases as research excellence, or the special costs of research—e.g., physics gets a bigger budget per faculty member than French literature—are eroded. Likewise, members of law and medical faculties will be under great pressure to justify their off-scale rates of pay. And, finally, if the chief function of the university is teaching—as demonstrated by its being the basis of faculty promotion—how can differences in pay and workload as between universities, on the one hand, and colleges that offer only undergraduate instruction—as well as community colleges, on the other—be defended? Collective bargaining can well bring a great democratization and levelling out of provision of services in higher education. As it does so, emphasis on individual research and on training for research, i.e., on Ph.D. programs and on the writing of dissertations, will probably diminish.

Greater Effects in Higher Education Than Lower

Unionization has proceeded much further in public elementary and secondary education than in higher. Yet, except for improvements in teacher morale (and, in some cases, a decline in morale of school board members), it is hard to see that any notable changes have occurred in the schools: processes, goals, structure, etc., appear to be as before.[3] If one is to forecast that collective bargaining will affect major changes in higher education, then one must answer the question of why it has not done so in that other related field of activity. Then, one must indicate that higher education is in some way more vulnerable.

The relevant differences, it seems to me, are these. (1) In the schools, we have traditionally had a separation of management and worker. (2) Schools have always concentrated on the more or less routinized activity of teaching. (3) In public elementary and secondary education, teachers had established seniority salary scales (somewhat modified by level of training) long before the unions arrived on the scene. (4) Public schools are less hierarchical in terms of their functions and processes than are institutions of higher education, even though expenditures per student may vary markedly from one place to the next. Hence, the equalization that collective bargaining implies already existed in substantial measure in the schools, while it certainly does not so now exist in higher education. In my opinion, these facts will serve to account for the paradox.

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[3] However, the fact that unions exist in the field of education provides some ready-made leadership for the organization of university faculty. That collective bargaining is in full flower in state government, moreover, puts pressure on faculty in public institutions to organize, simply as a defensive strategy, and the organization of non-teaching ranks in private universities operates in a similar way. I am indebted to Robert Doherty, Cornell, for this point.

Productivity and Collective Bargaining in the Public Service of Canada

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Public Service Alliance of Canada

At the very outset of collective bargaining in the Public Service of Canada, it was recognized that collective bargaining has a very important role to play in increasing productivity. Thus, in the very first group of agreements ever signed in the Public Service, parties agreed to include the following clause:

> "The parties to this Agreement share a desire to improve the quality of the Public Service of Canada and to provide for the well-being and *increased productivity* of its employees to the end that the people of Canada will be well and efficiently served." (emphasis added)

Somewhat similar clauses can be found in some collective agreements in the private sector, but because of the service-to-the-people aspect of the Public Service, the commitment of the parties as reflected in the above clause assumes considerable significance.

Before now attempting to comment on productivity and collective bargaining in the Public Service of Canada, I would like to point out that there are certain distinguishing features of the collective bargaining framework in the Federal Public Service which impose severe limitations on the capacity of the bargaining process to deal with issues associated with productivity. I believe some idea of the framework in which collective bargaining takes place in the Public Service would assist the panel, the discussant, and the participants in understanding this subject in proper perspective.

The first fact that distinguishes our collective bargaining from that in the private sector is that it has only been a little over five and one-half years since collective bargaining was first introduced in the Public Service. We are very much at relatively initial stages with regards to collective bargaining, and it is too early, therefore, to analyse the impact of collective bargaining on productivity in the Public Service. Conversely it is difficult to examine the influence, if any, of measures designed to increase productivity on the collective bargaining process.

The second feature that should be noted is that although the Public Service Alliance is the largest labour organization of public servants representing about two-thirds of those eligible for collective bargaining, there are a number of other unions which represent some significant groups of public servants. These include the Council of Postal Unions (made up of the C.U.P.W. and L.C.U.C.), the Canadian Air Traffic Controllers Association (C.A.T.C.A.), the Professional Institute of the Public Service of Canada (P.I.P.S.C.), the International Brotherhood of Electrical Workers (I.B.E.W.), and others. The collective bargaining relationship of some of these organizations with the Employer has considerable impact on the overall productivity in the Public Service.

Then there is the legislative framework within which collective bargaining takes place in the Public Service. The legislation (Public Service Staff Relations Act), among other things, severely restricts the scope of collective bargaining, the jurisdiction of the Arbitration Tribunal and the matters which can be dealt with by a Conciliation Board. These limitations have the effect of excluding from collective bargaining matters such as ways to adjust to technological and other changes, training and retraining of employees, job security, and procedures regarding promotion, demotion, transfer, lay-off, and recall of employees. Many of these issues have considerable effects on productivity and, in the private sector, parties to collective bargaining have been dealing with these matters. We have the machinery of consultation, either through the National Joint Council (N.J.C. which is composed of representatives of all staff associations and the Employer, except the Postal Workers), or on our own to deal with some of these subjects. However, our inability to exert pressure on the Employer through bargaining power leaves these matters very much in the realm of managements' rights.

The fourth feature that distinguishes our bargaining framework from that in the private sector also stems from the legislation. Unlike the private sector in which collective bargaining is a direct relationship between an employer and the union representing his employees, in the Public Service some of the most important aspects of employment and determination of working conditions are within the jurisdiction of agencies independent of both the Employer and unions. One of them is the Public Service Commission whose powers and duties include appointments of qualified persons to or from within the Public Service and the operation (and assistance to departments in the operation) of staff training and development programmes in the Public Service. Because these two functions have great impact on productivity, the Public Service Commission, through its programmes has significant effect on productivity in the Public Service. The other independent body which is assuming an increasingly important role is the Arbitration Tribunal which, in the event of a deadlock in negotiations, determines the terms and conditions of employment for bargaining units that have chosen arbitration as the process for dispute settlement. At the end of the 1970–71 fiscal year, 95 bargaining units in the Public Service had chosen arbitration compared to 13 units which had opted for the conciliation/strike route. Although not all the units which select arbitration in fact end up before the Tribunal, the decision in one Arbitral Award usually influences negotiations for other groups. Thus, directly or indirectly, the Arbitration Tribunal plays an important role in the determination of terms and conditions of employment, and therefore, its decisions tend to influence performance of employees and their productivity.

This brings me to the last, but not the least important distinguishing feature, namely, the absence of reliable measures of productivity in the Public Service. Primarily because of the difficulties of measuring productivity, very little is known about it. Some programmes have been effective for some time to increase managerial efficiency and to measure individual performance, but these are far from being indicators of productivity.[1] In terms of measuring productivity, we have barely scratched the surface.

I would now like to tell you how, within the limits set by the factors described above, our efforts either through collective bargaining or through consultation and cooperation, affect productivity in the Public Service.

To start with, productivity depends on the quality of the work force. The quality of the work force in the Service depends, in the first place, on how well the merit principle has been applied in appointments to and from within the Public Service. This is the responsibility of the Public Service Commission, but staff associations can make their views known through consultation with the Commission. This the unions have been doing even before the advent of collective bargaining. The Alliance and other unions have made themselves heard loudly and clearly whenever there has been the possibility of the abuse of the merit principle, a principle which is aimed at the appointment of the most qualified persons in order to protect against patronage in the Public Service. To give you an example, it was because of the continuous protests of the Alliance that about a year and a half ago the Public Service Commission lodged an inquiry with respect to the delegation of its staffing authority to the departments. As a result of this inquiry, the Commission is now planning a better monitoring and delegation system to ensure that merit principle is less abused. We feel that as a union we have a duty to bring to the attention of the Commission instances of full abuse, because the protection of the merit system is essential if the most qualified persons are to be appointed to and from within the Public Service. In protecting this principle, we are also insuring that the quality of the Public Service and its productivity is maintained at high standards.

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[1] In a paper delivered to the International Conference on Public Personnel Administration in St. Louis, Mo., on October 25, 1972, Mr. E. Mastronardi, Assistant Director, Efficiency Evaluation Division of the Treasury Board, has noted three major programmes which are now in operation in the Public Service. These are: Planning, Programming and Budgeting Systems (P.P.B.S.), Operational Performance Measurement Systems (O.P.M.S.) and Management By Objectives (M.B.O.).

However, continuous maintenance of high productivity of the work force depends also on the opportunities for training and development. This is another area in which we can be effective only through consultation. We consider this to be a very important aspect of employment and we have been constantly stressing the need for training and retraining. At the present time, we have undertaken an in-depth study of training programmes, especially with respect to employees in some of the groups in the Operational Category, such as those in Hospital Services Group who are in low-paying dead-end type of jobs. We hope that before long our efforts would produce tangible results in the form of training and retraining programmes, programmes which hopefully would contribute to increased productivity in the Public Service.

To turn now to collective bargaining proper, we have negotiated better wages and improved working conditions of benefits in the Public Service. I do not wish to elaborate here on how better the terms and conditions of employment are today compared to those in the pre-collective bargaining era. I am also not in a position to tell you what contribution to the productivity of public servants has been made because of these improvements in their terms and conditions of employment. I would, however, like to point out to you developments in three areas which have direct noticeable effects on productivity. These are: hours of work, control of absenteeism and work stoppages.

One of the significant goals of our bargaining efforts for groups in the Administrative Support Category, where more than two-thirds of employees are females, is a reduction in weekly hours of work. So far we have not been successful in our efforts either at the negotiating table or at arbitration. However, as a result of a recommendation of the Chairman of the Arbitration Tribunal, we have begun a series of meetings with the Treasury Board with a view to examining the feasibility and implications of modifications in hours of work in the Public Service. Discussions have ranged over such subjects as flexible starting and quitting times, staggered hours, the banking of hours, and the shorter work week. I am quite hopeful that in early 1973 we will see some modifications in hours of work on trial bases in serveral branches of government which will have considerable effect on productivity. In at least one department of the Public Service, employees have responded favourably through a massive survey programme for the introduction of flexible working hours.

Our other major bargaining goal for the same group of employees was to attempt to negotiate some scheme for the pay off of unused sick leave credits. We feel that absenteeism can be alleviated if some form of pay off for the unused portion of an employee's sick leave credits can be instituted. This objective is actively being pursued. We feel that a well designed scheme for the pay off of unused sick leave, if properly implemented, could result in controlling absenteeism to some extent and thereby improve productivity. Many Sperry and Hutchison plans have proven successful in American industry and we feel encouraged to continue our efforts in this regard.

Lastly, on the question of work stoppages, speaking strictly in terms of the experience of the Alliance, so far there has been no major work stoppage which could have adverse effect on productivity. There was only a minor work stoppage involving about fifty employees of the Defence Construction Limited (D.C.L.), who went on a strike for about three weeks. It should be noted, however, that at that time DCL was under the Canada Labour Code and not under the Public Service Staff Relations Board.

At this stage I would like to comment briefly on two instances in which the introduction of collective bargaining has been responsible in focussing the attention of the government on inefficiency of management. These are: The Canada Post Office and the Central Pay System in the Public Service.

Problems have besieged the Post Office for a number of years now and every year these problems have grown in complexity. A number of studies on various facets of postal operations have been carried out in the last ten years. But it was not until the advent of collective bargaining that the government felt compelled to examine the entire operation of the Post Office. This is evident from the following excerpts from the letter of transmittal of its final report written by the consulting firm of Kates, Peat, Marwick and Company, to the Minister of Communications on November 1, 1969:

> "In September, 1968, you directed the Post Office to commission a series of studies that would permit a critical examination of the Post Office with the object of determining whether or not it should become a Crown Corporation. As Minister responsible, you were concerned for many reasons: notably, labour unrest and the resultant upheaval to the economy due to strikes . . . etc."[2]

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[2] Kates, Peat, Marwick & Co.: A Blueprint for Change—Canada Post Office: November, 1969: p. ii.

It is a sad commentary that even after three years since the inquiry into the postal operations, labour unrest continues in the Post Office.

Another consulting firm prepared the "Report on the Public Service Pay System" in which it stated that "one key factor responsible for focussing attention on the Public Service pay system in the past year, was the impact of collective bargaining and the implementation of the resultant retroactive payments."[3] The report revealed three major areas as causes of difficulty, namely, the detachment of the Treasury Board staff from pay administration, derelict attitude of senior personnel officers in the departments by not assuming their full responsibilities in administering the pay system, and the handicap of a manual ledger card system at the Central Pay Office under which the paying offices operated.[4] A number of changes have been introduced in the pay system since the findings of the consultants were made public, and these changes certainly improved the efficiency of the system.

These are but two instances in which the influence of collective bargaining in improving productivity can be easily noticed. There are other situations in which collective bargaining cannot perhaps be easily identified as the factor responsible for inducing efficiency even though it may be one of the factors leading to improved efficiency. At the same time, the fact that most collective agreements in the Public Service do not contain strict seniority and work rules, and the fact that abuse of rest periods and wash-up time is almost unheard of certainly contribute to maintaining productivity at high levels. All in all, I must conclude my remarks by saying that our collective bargaining in the Public Service, even in the short period in which it has been in existence, is having a positive impact on productivity. Where collective bargaining seems to have had apparent adverse effects, reasons can be found in factors other than those directly related to the negotiations process itself.

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[3] Samson, Belair, Riddell, Stead, Inc.: A Report on the Public Service Pay System: April 1970: p. 7.

[4] Ibid: p. 6.

DISCUSSION

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I would first like to make some observations on the productivity of the Canadian manufacturing industry—the subject on which Professor Ingerman presented his paper—and to tie these (observations) to the necessity for training and developing managers in both the public and private sectors. This will be followed by brief comments on the papers presented this morning.

During the 1960's, manufacturing accounted for about 25 per cent of the gross domestic product and almost as much in employment. It is expected to maintain this position during the 1970's.[1] The levels of real output per employed person in the Canadian manufacturing are about 35–40% lower than in the same sector of the American economy.[2] This is true of the American subsidiary companies in Canada as well as the resident owned companies.[3] Therefore, foreign ownership and control—a controversial issue in Canada—seems to be a peripheral rather than a central issue in any strategy that is concerned about an efficient and competitive manufacturing industry in Canada.

In making decisions concerning expansion, investment, etc., the management in the manufacturing industry is faced with many uncertainties. Some of these seem to be the minority government in Ottawa, changes in the Canadian taxation, the concern about regional disparities, the fluctuating value of the Canadian dollar—mostly its appreciation compared to its level in most of the 1960's. Although these and several other areas (such as government policy concerning tariff, competition, etc.) are important and have an effect on productivity in this industry, I would hazard to guess that the managerial education and training is one of the most important variables affecting productivity in the manufacturing industry. It is this variable which has been sadly neglected in Canada. I would like to address my remarks on the importance of managerial training and education and its possible impact on productivity; my remarks are equally applicable to administrators in higher education as well as in Public Service.

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[1] *Canadian Manufacturing Industries: Structure and Performance with Particular Reference to Productivity*, (Ottawa: Department of Industry, Trade and Commerce, 1972).

[2] E.C. West, *Canada-United States Price and Productivity Difference in Manufacturing Industries, 1963*, Staff Study No. 32 for the Economic Council of Canada, (Ottawa: The Queen's Printer, 1971), P. 26. Also see, D. J. Daly, "Canadian Vulnerability", *The Canadian Forum*, (January–February, 1972) P. 28a.

[3] A. E. Safarian, *The Performance of Foreign Owned Firms in Canada*, (Montreal: Private Planning Association of Canada, 1969).

The key occupational group which affects efficient utilization of human and material resources is management. The Economic Council of Canada has repeatedly drawn attention to the fact that the averge educational attainment of Canadian managers is below that of their counterparts in the United States. (This educational difference in the managerial category is more marked than in any other major category of the Canadian labour force.) In addition, the pioneering work of John Porter, based mainly on Canadian owned firms, has suggested that the top management group in Canada has been extremely narrow in its origin and lacks professional managerial training.[4] Furthermore, the Safarian Report, on *The Performance of Foreign Owned Firms in Canada,* recommends that closer examination of the quality of management education in Canada might well be in order.[5] Despite this exhortation, there has been no systematic study of managerial education and training and managerial decision-making process in Canada.

It is interesting to note that the Economic Council of Canada has suggested that the need for managers at present far exceeds the supply.[6] The number of people in the prime managerial age of 35–45 is on the decline because of lowered birth rates during the depression of the 1930's and other reasons such as the losses of young men during World War II. Moreover, lower proportions of current top college graduates are choosing to enter the business world than has been true in previous decades. In addition the evidence indicates that the present senior managers in Canadian business moved into positions of middle and senior managers much later in their working lives than in the United States.[7]

These facts, therefore, raise the question whether present managerial group in Canada is flexible and adaptable enough to adjust to the new range of problems and possiblities that the changing domestic and world environment requires.

Two fairly workable solutions can be adapted from the United States. One is that the level of formal education as well as training and development of current managers within industry and government should be stepped up. Second is a clear tendency in the United States to move towards the promotion of younger executives earlier in their working lives. This could be adapted in Canada with relative ease in view of the fact that Canadian managers have moved into positions of middle and senior managers much later in their working lives than in the United States, as noted earlier. This is possible with more emphasis on management education and re-training. Therefore, continual re-education of managers—both in the private and public sectors—over their whole careers is vital. Another possibility is a sabbatical year for managers to go to school to update their skills and knowledge.

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[4] John Porter, *The Vertical Mosaic: An Analysis of Social Class and Power in Canada,* (Toronto: University of Toronto Press, 1965).

[5] A. E. Safarian, *op. cit.*

[6] B. A. Keys, *et al., Meeting Managerial Manpower Needs,* (Ottawa: Information Canada, 1971).

[7] D. J. Daly, "Canadian Vulnerability", *The Canadian Forum* (January–February, 1972), P. 30a.

This upgrading of managerial knowledge and skills is bound to have a positive effect on the productivity of managers in both these sectors.

Benson's paper on Collective Bargaining in Higher Education is at once innovative and challenging. It is timely and presents a welcome attempt to operationalize hitherto qualitative variables. In Canada, where collective bargaining among University Professors is still in the embryonic stage,[8] this paper provides several intriguing sets of proposals worth considering both from faculty and administrative points of view.

Both the DesLaurier and Ingerman papers are descriptive but lack any analytical framework and empirical base. Both touch upon productivity but scarcely provide any useful suggestions to the researchers and practitioners in industrial relations—regarding productivity bargaining.

DesLaurier's paper provides an interesting background concerning the limitations imposed on the scope of bargaining, viz exclusion from collective bargaining of matters such as "job security and procedures regarding promotion, demotion, transfer, layoff, and recall of employees." However, only the last part of his paper deals specifically with the impact of collective bargaining on efficiency. One of the examples cited is that of the Canadian Post Office. I would have liked to have seen some suggestions concerning measures to eliminate or minimize the unrest in the Canadian Post Office and to increase its efficiency.

It may be that once the Post Office is an independent Crown Corporation and is responsible for balancing the budget, it might take measures which will improve its productivity. Perhaps the U.S. experience might be of some assistance here.

In Ingerman's paper, I would have liked to have seen him specify variables that have an effect on productivity in a collective bargaining situation, especially in the case of manufacturing industry in Canada with its productivity lag as compared to the U.S., cited earlier. He has stated the obvious, that general economic conditions affect productivity and that in most cases the burden of these conditions in a recession falls on individual workers, with little help provided by collective bargaining.

What he implies, but fails to suggest, is that collective bargaining does not usually create jobs. Consequently, if technical change threatens to eliminate some jobs, the most the unions can do is to block the introduction of change and thereby protect the existing job holders. Today, however, unions generally accept the change as inevitable and concentrate their efforts on cushioning its impact on their members. Whatever course unions choose to adopt, collective bargaining has severe limitations such as limited coverage of trade unionism, excluding the majority of workers from its benefits, and the varying degrees of protection afforded different workers who are covered by collective bargaining. It is because of these limitations of collective bargaining that a combination of public and private policies are needed to provide a framework for dealing with change.

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[8] B. L. Adell and D. D. Carter, *Collective Bargaining for University Faculty in Canada:* A Study Commissioned by the Association of Universities and Colleges of Canada. (Kingston, Ontario: Industrial Relations Center, Queen's University, 1972).

VIII. SOCIAL SECURITY—ISSUES AND TRENDS

National Health Insurance and the Health Care Delivery System

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The current debate over national health insurance raises serious questions about: (a) the capacities of our medical care delivery systems to supply personal health services in sufficient amounts at sustained levels of quality and reasonable prices and (b) the kinds of institutional arrangements that will need development—among various levels of government, and between governments and the private sector—if both efficiency and equity of services delivery are to be achieved.

For the health planner working in the public sector national health insurance suggests not only critical issues about financing and benefit packages, but also about impact (probable or possible) on systems of medical care supply. Unhappily, as Rashi Fein noted so well over two years ago,[*] government rarely acts on problems of resource organization, management, and distribution, in the absence of irresistible pushes in demand. Most often, by the time demand is upon us, it is too late to reorganize, redeploy,and re-structure our systems of supply. The present debate over national health insurance, haltingly and imperfectly to be sure, does include sharp discussion and argument over how medical care systems ought to be structured in the era of national health insurance. This paper seeks to report some of the major issues and themes shaping the debate over how national health insurance might relate to re-structured systems of medical care delivery.

National Health Insurance and Health Fiscal Policy

Any new universal health insurance plan that proposes more than just an expansion of cost underwriting poses the following questions to government:

First, how may the expanded role of the Federal government in financing personal health services serve as an incentive to promote changes in the organization and administration of health care delivery systems?

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[*] Rashi Fein, "The Case for National Health Insurance," *Saturday Review*, August 22, 1970.

Second, will it be necessary for the Federal government to intervene even further (beyond incentives) into delivery system activities, by tying reimbursements under national heath insurance to explicit national standards and regulations governing the behavior of health providers?

Third, should voluntary compliance and evidence of "affirmative action" be the standard? Or, should threat of sanctions (e.g. withholding of reimbursement) be the basis for enforcement?

Fourth, how should national health insurance along with its standards, regulations, and enforcement procedures be administered? Through Federal auspices? Or through state, regional, local and private mechanisms?

There is some agreement among health planners that national health insurance should be strategically organized to create incentives to effect the behavior of medical care delivery systems. In order to avoid substantial escalations of health care costs under the broad entitlement provisions of national health insurance, runs the argument, government will almost certainly need to use the financing tool as a lever to promote desirable utilization, production, and distribution of personal health services.

Other health planners do not concur with the assessment that national health insurance should be used to induce change in delivery systems. Certainly, as Herman Somers has noted, Congress reinforces an incremental approach to health legislation by taking up insurance under its Finance and Ways and Means Committees, while considering structural reforms such as HMO legislation in its substantive health committees. The politics of health reform, at the Congressional level, does not offer much hope for those who seek a carefully woven package containing both financing and delivery system components.

Furthermore, health economists disagree on the incentives question. Martin Feldstein, for example, has suggested a limited catastrophic insurance program, designed to solve a single problem—the high cost of catastrophic illness. Other economists, however, argue for the development of a health fiscal policy, which would use financing as a tool to restructure public and private health service delivery markets. Thus, the national health insurance debate involves multiple objectives in the absence of precise knowledge about probable effects of different policies on health care systems.

Health planners working within the Federal Executive branch do not themselves agree on the extent to which financing and delivery systems ought to be separable issues. At the Secretarial level of the Department of Health, Education, and Welfare, however, there does appear to be a good deal of focus on alternative strategies for tying health services financing to delivery system reform. A great deal of attention has been focused on trying to predict probable effects of different insurance entitlement packages on health delivery systems and on developing appropriate governmental responses.

Whatever the legislative realities surrounding the "separability" issue, financing and delivery are decidedly not separated in the thinking of many strategically placed governmental health planners. At the very least, the prospect of a national health insurance plan has provided a desperately needed, if tenuous, analytical framework within which one can begin to see the shaping of a coherent national health policy and strategy. Some of the elements contributing to that strategy are discussed below.

Governmental Influence on Health Delivery Systems Through National Health Insurance

The Federal government is presently debating policies and programs to (a) develop alternative ambulatory health service delivery systems, (b) influence both the quality and utilization of personal health services, and (c) influence development, utilization and administration of hospitals.

ALTERNATIVE AMBULATORY HEALTH SERVICE DELIVERY SYSTEMS.

Currently available models for delivering ambulatory medical care offer consumers few alternatives to solo practicing, office-based physicians. The impact of the prevailing "cottage industry" model of medical care organization on service availability and prices is well documented in the literature.

In order to promote the development of alternative forms of ambulatory health care organization, national health insurance reimbursement formulas could be written to reward a wide variety of medical care organizations. The major health insurance bills presently under consideration (that are not simply financing plans) provide some hook-up to alterations in services delivery, usually by specifying reimbursement arrangements for health maintenance organizations. Proposals differ rather dramatically, however, on how best to utilize insurance to expand delivery system options for consumers. Also, there is no consensus, at present, on various preferred alternative delivery systems.

The Health Security Act, for example, would reimburse HMO's before all other systems of care, leaving what remains in a regional insurance pool for solo practicing physicians and non-participants in the health security programs. In essence, the Health Security Act proposes to substitute public regulation and a mandated service delivery model (HMO) in place of presently available ambulatory care (solo practice).

Other health insurance proposals, including the plan proposed by the Nixon Administration, would seek, not the creation of a single-option delivery system, but the development through "front end" financing and insurance reimbursement incentives, of a competitive array of delivery system alternatives. By providing reimbursement opportunities and investment capital for a number of different kinds of ambulatory health care organizations, consumer choice could be expanded and begin to influence prices, availability of services, and service quality. The Administration, therefore, has proposed the broadest set of guidelines in its health maintenance organization proposals. The term "health maintenance organization" encompasses no single organizational model. Rather, "HMO" is a generic term for a wide variety of medical care organizations. Alternatives range from solo-practicing physicians, who work under contract to local medical foundations and receive pre-negotiated reimbursements on a fee-for-service basis, to group practices, organized under a "tight" management structure with fixed-price, pre-paid contracts providing reimbursements.

The basc issue at stake in this debate over what types of ambulatory health service delivery systems ought to be encouraged through reimbursement incentives and start-up investment is the extent to which government should substitute its decisions for the consumer in the marketplace. Should government decide that, for example, pre-paid group practice is the preferred model of health services delivery? Or, should incentives be structured so as to make possible the emergence of competing delivery models, ranging from solo-practicing physicians to pre-paid groups?

Consumers now have limited ambulatory health care options available to them. National health insurance, rather than arbitrarily deciding on a preferred model of organization could expand consumer choice by broadening the kinds of ambulatory health care delivery systems available. Moreover, over time, a truly competitve services market could emerge among these different systems of ambulatory care, seeking patients through price competition, and more efficient and responsive services provision.

To the extent that a true "market solution" can be found under national health insurance incentive reimbursements and other Federal investments, problems of supply (amount, distribution, quality) and demand (utilization) could be solved without the need to resort to more aggressive governmental intervention and regulatory control. There is the strong possibility, however, that broader governmental intervention, in the form of standards setting, quality and utilization review, and continued investment in direct support for services provision (through grant programs), will be necessary, at least in the short-run. These additional interventions, beyond national health insurance incentives, may be necessary because (a) market solutions may not work, and (b) even if market solutions do work, they may have undesirable effects, both in terms of equity considerations and through inability to influence important aspects of consumer-health system interaction.

Market solutions may not work because of, among other problems, consumer ignorance, and major supply barriers, such as insufficient amounts of services produced, and inefficient distribution of available health resources. These problems are particularly significant with regard to the health behavior of the poor, and the very real possibility that no amounts of insurance reimbursement incentives tied to alternative health delivery systems, will create markets for provision of health services to the poor. The poor, in all probability, will require special consideration, not merely from the demand side, but also from the supply side.

Closely related, and, perhaps justifying governmentally-initiated standards and regulatory controls on kinds and quality of services produced, is the possibility that market-incentive approaches alone will not produce medical care utilization patterns believed desirable by most medical experts, particularly those services subject to highly elastic demand. Specifically, reference is made to the utilization of preventive, early diagnostic, and early treatment aspects of medical care, which are particularly susceptible to variations in consumer values, attitudes, and beliefs.

These problems make discussion and exploration of further governmental intervention strategies, beyond the purely incentive approaches of national health insurance, quite appropriate.

Quality and Utilization Review

Any efficiently organized personal health services system will produce service outputs at some "normed-out" level of quality. Questions arise, however, concerning what are appropriate quality levels, and who should monitor and administer them. Should the Federal government use its authority as co-ordinator of national health insurance to insure production of quality health services? Clearly, the power to act in this area will accrue to the Federal government with the expanded fiscal controls authorized under national health insurance. A rationale for government action in this area might be found in the argument that quality maintenance under national health insurance cannot be achieved through conventional competitive market mechanisms. Alternative health delivery systems, sensitive to enlightened consumer demand and competitive pricing, will not be available for many years.

Beyond the general rationale for governmental involvement in the area of quality review, however, specific mechanisms for effective intervention become obscure. For one thing, underlying health services principles that ought to give guidance for establishing effective quality standards, are nebulous. Should quality assessment focus primarily on the organization and distribution of particular health service inputs, e.g. a correct mix of medical personnel, who are professionally certified? Or, should quality be defined as a process of applying approved medical procedures for given sets of health problems? Finally, quality review could focus on the results of medical care, observing relationships between particular medical procedures and relative changes in the health status of a population.

Senator Kennedy has proposed the establishment of a Quality of Care Commission, composed of both physicians and consumers, to oversee quality standards for reimbursement under national health insurance. This Commission would focus on input, process, and outcome aspects of medical care. In order to do its job, the Commission would require a vast research support operation, especially to collect and interpret data on health care outcomes.

There is little evidence available that outcome analysis could, at the present time, be reasonably and fairly applied to determine whether or not quality medical care has been administered. This area of medical care is more properly a subject for extensive research and development. It may not be appropriate, then, to utilize outcome analysis, at the present time, with its imprecise methodologies and contradictory conclusions, as a basis for establishing administrative standards and regulations governing health insurance reimbursements.

Congress recently chose to follow these caveats by supporting a process assessment approach to quality review. Through an amendment to the Social Security Law, area-wide, Professional Standards Review Organizations will be established under the supervision of the Secretary of DHEW. The "Bennett Amendment" (as the new law came to be called during legislative hearings) calls for local, peer review mechanisms to be established under the guidance of PSRO's. Some concern was expressed during DHEW's discussion of the proposal that local peer review not mean solely review by local medical societies. The bill was supported by the Department as presented, however, as an initial step in developing a reasonable quality review procedure. Over time, it is anticipated that PSRO's will come to represent a broad array of provider and consumer interests at the local level.

These PSRO's will be empowered to

> apply professionally developed norms of care and treatment based upon typical patterns of practice in their region (including typical lengths-of-stay for institutional care by age and diagnosis) as principal points of evaluation and review.

The law also provides that PSRO's

> shall . . . specify the appropriate points in time after the admission of a patient for in-patient care in a health care institution, at which the physician attending such patient shall execute a certification stating that further in-patient care will be medically necessary. . .

Both quality and utilization review, then, will be primary responsibilities of PSRO's, based in the former instance, on a process quality review, and in the latter, on a monitoring of in-patient care utilization rates. The aim is to reduce unnecessary medical procedures, and to promote appropriate and efficient utilization of outpatient services.

Enforcemeent mechanisms are reasonably simple:

> If after reasonable notice and opportunity for discussion with the practitioner or provider concerned, any Professional Standards Review Organization submits a report and recommendation to the Secretary . . . and if the Secretary determines that such practitioner or provider, has . . . demonstrated an unwillingness or a lack of ability substantially to comply with such obligations, he (in addition to any other sanction provided under law) may exclude (permanently or for such period as the Secretary may prescribe) such practitioner or provider from eligibility to provide such services on a reimbursable basis.

Quality and utilization review are, in short, vital controls for maintenance of over-all efficiency under national health insurance. With payment for services virtually guaranteed by Federal law, appropriate qualitative and quantitative units of service must be effectively balanced with the mandated supply of insurance dollars.

Hospital Development, Utilization, and Administration

In addition to the kinds and amounts of ambulatory health services produced, national health insurance provides an opportunity for influencing the development, utilization, and administration of hospitals. The Hill-Burton hospital construction program has, since the late 1940's, been primarily responsible for the growth and development of voluntary hospitals into the multispecialty bed facilities of today. Unfortunately, this growth has not been accompanied by regard for management efficiency, balanced expansion of short-term acute beds compared to specialty and long-term beds, or out-patient services compared to in-patient services. Health insurance reimbursement mechanisms, coupled with uncritical Federal (Hill-Burton) investments, have been largely responsible for these distortions.

Effective control of the hospital sector has been the subject of a good deal of scholarly debate. Advocates of reform fall, roughly, into three camps: those favoring a "public utilities" approach, those supporting a "market solution" approach, and those favoring a "mixed strategy."

A public utilities approach to hospital regulation would place hospital pricing and cost reimbursement under public control, similar to the rate-setting mechanisms that price gas and electricity. Performance standards and prices would be regulated and monitored by public organizations similar to the way the government regulates other public utilities.

Current governmental approaches suggest a mixture of the public utilities and market approaches to the hospital problem. Incentive reimbursements, channeling dollars more strategically into institutional care settings, take up much of the recently passed Medicare/Medicaid amendments to the Social Security Law. Professional Standards Review Organizations, representing an initial step towards regulation of hospital services delivery, provide for extensive review of inpatient utilization patterns.

The Social Security amendments also preclude medicare and medicaid payments for certain disapproved capital expenditures which are specifically determined to be inconsistent with State or local health facility plans. Twenty states currently have empowered area-wide, comprehensive health planning (CHP) agencies with certification of need authority over prospective health facilities planning and development. Other states will pass such legislation in the near future spurred on by the authority available to them under current Federal law.

The Nixon Administration's national health insurance plan would extend the certification authority of CHP's to include authority to deny reimbursement for direct services provided by unauthorized health facilities and equipment. This authority goes well beyond current controls over capital expenditures reimbursements by putting direct service reimbursements under public (quasi-public) scrutiny.

In addition, a further authority over hospitals is being considered: Should we continue to reimburse hospitals retrospectively for their incurred costs, or should hospitals be required to establish prospective budgets, as a precondition to participation in national health insurance plans? There is a good deal of concurrence among governmental health planners, both in Congress and in the Executive Branch, that prospective budgeting must ultimately be required.

Present regulatory powers, coupled with future incentive reimbursement mechanisms and regulatory controls under national health insurance, will give the public rather strong control over hospital behavior. A major problem in the immediate future, however, will be to develop technical competency at state, regional, and local levels to insure the effective functioning of CHP's and PSRO's.

In particular, comprehensive health planning agencies have not developed the capabilities necessary to perform requisite regulatory functions. Not only are CHP's often unduly influenced by hospital facilities planning organizations which largely reflect only the hospital's viewpoint; but also, they tend to be faced with growing problems and limited staffs. CHP's, therefore, will require rather dramatic upgrading over the next few critical years, if performance is to live up to mandate. The Federal government will have to expand CHP staffing budgets, while organizational competence will have to reflect a much broader array of skills than facilities planning. Cost analysis, health economics, and business administration, are three areas where CHP's will need added capability.

While it is much too soon to comment critically on the parallel PSRO's in the areas of quality and utilization review, these organizations, too, will have to guard against excessive parochialism and undue responsiveness to particular sectors of the community, e.g. local medical societies.

From Categorical Project Grants to Insurance Funding: Institutional Implications

The Federal government has begun to develop co-ordinated strategies for interfacing health insurance reimbursement mechanisms with health service delivery programs presently funded categorically through project and formula grants. The Health Services and Mental Health Administration has been developing, essentially, an investment strategy, designed to cultivate new health care resources, where they do not presently exist, as well as investing in the reorganization of existing resources in order to improve efficiency and distribution. The investment in the creation and improvement of health care resources is viewed as a one time, seed money approach, with the continuing support for ongoing operations of new or reorganized delivery systems deriving from combinations of health insurance and patient fees. As third party payments assume increasing proportions of specific projects, the grant funds will decrease and be released for investment in other areas where the supply of resources is inadequate.

The HSMHA policy is to seek increased amounts of insurance reimbursements to existing projects, and to emphasize support of services which have the potential for receiving such payments. Thus, Family Health Centers and HMO's are receiving special attention. The conversion of existing comprehensive health service projects and maternal and infant care and children and youth projects to be more capable of recovering insurance reimbursements is also being emphasized.

The imminent passage of national health insurance legislation, then, coupled with evolving experience with Medicare and Medicaid, have stimulated the Federal government to undertake a strategic redeployment of its direct investments in health services delivery. In the long-run, increased availability of insurance will eliminate the need for direct grants-in-aid for many categorical service programs. Coupled with special (health) revenue sharing, rather profound changes should evolve in patterns of institutional arrangements between Federal health agencies, such as HSMHA, and State, regional, and local public organizations.

First, direct Federal fiscal controls may be supplanted, to a very great extent, by local institutions, acting under the guidance of national standards and regulations.

Second, incentive reimbursements available through national health insurance ought to provide powerful levers to manipulate the health system and these levers will be controlled, in the last analysis, by the Federal government. However, incentive reimbursement will, in all probability, create a willingness for change among health system actors, but not necessarily a capacity for change. Specific guidance of health delivery system reorganizations, then, will have to come primarily through local initiatives.

The Federal government will look increasingly, to the institutions discussed earlier in this paper to articulate the potentialities made possible through the incentives of national health insurance. Washington will be available with professional expertise and technical assistance, but local institutions will be responsible for achieving the goals of an emergent national health policy.

Conclusion

This paper has reviewed current and proposed initiatives by the Federal government in the area of personal health services delivery. It was suggested that the over-all incentive for re-formulation of Federal investment and regulatory policy in health services delivery has been the imminent passage of a program for national health insurance. This dramatic expansion of public investment will require careful planning and development of new arrangements between and among public and private health institutions, if health insurance dollars are to be wisely invested.

We are entering an era of experimentation with various public incentive and regulatory mechanisms to safeguard these broad public investments. Current wisdom argues for utilization of Federal authority to prod state and local reform of health care standards review mechanisms reserving Federal enforcement authority in favor of State and local regulation and enforcement. The Federal role in the future will be to provide more coherent guidance in the areas of regulations and standards setting with implementation left to revitalized state and local health systems.

Recent Changes in Social Security Financing

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The Congress in this election year of 1972 enacted and President Nixon signed, two very substantial increases in social security benefits. At the same time, the Board of Trustees of the Old-Age and Survivors and Disability Insurance (OASDI) Trust Funds and the Congress accepted fundamental changes in the actuarial methodology used to monitor the financing of the social security system. These two occurrences—the large benefit increases and the changes in financial accounting—have been closely linked in journalistic accounts of recent legislative developments in social security. Some popular pundits have even suggested that Congressman Wilbur Mills, the powerful chairman of the House Ways and Means Committee, foreswore his long allegiance to the use of "conservative" financing principles for social security and accepted the arguments for the new more "liberal" actuarial methods because of a virulent attack of presidential fever. This paper does not attempt to resolve the issue of political motivations in social security financing developments this year. What it does attempt instead is, first, to explain the import of the technical issues involved in the changes in actuarial methodology and then to consider very briefly some of the broader issues in the emerging political economy of social security financing.

The Old Actuarial Methodology

Until this year, decisions about social security financing took place under the following actuarial procedures for accounting for benefits and costs. Scheduled benefits and scheduled taxes in any social security legislation were required to be in "actuarial balance." The cost of benefits scheduled over the next 75 years was first estimated as a single "level cost" rate relative to covered payroll, defined as the constant combined employer-employee tax rate that, together with the tax on the self-employed and with interest earnings on actual and projected trust fund balances, would exactly pay for all future social security benefits and administrative expenses. Revenues from the tax rates and covered earnings bases scheduled over the same 75 year period were then similarly summarized as a single estimated "level-equivalent" rate. If these two rates were closely matched, the social security system was considered to be in actuarial balance. Economists can interpret this procedure best, perhaps, by viewing it as equivalent to a requirement that the present values of scheduled social security benefits and the sum of projected payroll tax and interest revenues be equal at some assumed rate of interest.

This very brief summary of the old actuarial accounting system cannot do justice, of course, to the great difficulties involved in reducing the demographic and economic uncertainties of the next 75 years to the two numbers representing all projected social security costs and revenues. Instead of dwelling on details, however, let us concentrate on the crucial political and economic assumptions that were implicit in the old actuarial methodology. The single most important of these assumptions was a projection of level or constant earnings over time. That is, the social security actuaries assumed that the level of earnings per male or female worker would remain constant over time and consequently that aggregate covered earnings would change in the future only because of projected growth in the size of the labor force, projected changes in the male-female structure of the labor force, or scheduled increases in the maximum covered earnings base. Other assumptions relating to demographic developments and the rate of interest used to compute interest income on the trust fund balances added to the built-in conservative bias in the old actuarial procedures.[1]

The old actuarial methodology was *conservative* in the specific sense that it virtually guaranteed the creation of an actuarial surplus over time as earnings levels per worker increased (contrary to assumption) in response to normal productivity growth and inflation. Such earnings growth increased both the revenues from existing social security taxes and the cost of existing benefit commitments above projected levels, but the increases in revenues always dominated the increases in costs. Higher earnings levels meant an immediate increase in payroll tax revenues, while the higher benefit commitments were spread more evenly over a long period into the future. The weighted benefit formula providing relatively high replacement rates for workers with low earnings histories was an additional factor assuring the imbalance between projected social security costs and revenues, since as earnings grew, more covered workers moved into the low replacement rate earnings ranges. Thus the actuarial methodology embodying the level earnings assumption regularly produced actuarial surpluses as economic growth resulted in ever higher earnings levels. As every reader will recognize, these "unexpected" surpluses were always welcome news to the Congress, which could then adjust benefits upwards apparently costlessly to take advantage of this social security growth dividend.

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[1] For further details, see Joseph A. Pechman, Henry J. Aaron and Michael K. Taussig, *Social Security: Perspectives for Reform* (Washington, D.C.: The Brookings Institution, 1968), Ch. VII.

An additional facet of the old actuarial procedures worthy of mention here is that they took a somewhat ambivalent stance towards the size and nature of the social security trust funds. On the one hand, tax rates and benefit levels in any social security amendment were generally set at levels that were expected to bring about close to short-run balance of total revenues and costs. On the other hand, tax rates were scheduled to rise to levels in later years that would result in considerable surpluses to build up the trust fund balances and the projected interest on these funds became an important element in obtaining actuarial balance over the 75 year social security financing period. The several periodic revisions of social security benefits and taxes tended to create this situation over and over again, with the results of actual year to year near balance in social security revenues and costs and generally only slowly rising trust fund balances, but adherence to the *principle* of eventually building up a much more significant trust fund comparable to those in many private pension plans.

Revisions in the Actuarial Methodology

Academic economists long recognized the economic absurdity of the level earnings assumption in social security accounting and urged that a more realistic assumption about the future course of earnings be adopted.[2] Their arguments were endorsed by a Panel of Actuaries and Economists advising the 1971 Advisory Council on Social Security. The Advisory Council accepted the advice of this Panel on the narrow issue of revision of the level earnings assumption as well as on several other fundamental changes in the old actuarial procedures.[3] As noted in the introduction, the OASDI Board of Trustees and the Congress also have in effect accepted the major thrust of the academic criticism of the old methodology. For better or worse, decisions about social security financing will henceforth take place within a framework of actuarial accounting that assumes earnings growth at rates close to those experienced in our economy in the past.

Disputes about technical actuarial points can sometimes mask fundamental issues in the political economy of social security financing. The argument for assuming rising rather than level average wages in accounting for social security revenues and costs is basically very simple. An increasing earnings assumption represents our best estimate of actual future experience and therefore incorporating it in social security budget estimates is likely to minimize the errors we make in projecting the future time path of revenues and costs. To restate this same point forcefully from a different perspective, the burden of proof should certainly rest on anyone who advocates *not* making the best possible assumptions about demographic and economic developments that will affect decisions about social security finances. Indeed, the major objection to the old actuarial methodology was not that it was technically flawed but rather that it was extremely difficult to understand and even misleading to all but a few social security experts. As even the proponents of the old methodology would probably agree, it made logical sense only with the implicit understanding that Congress would have to raise benefit levels in the future when earnings levels increased in order to offset the surplus generated by earnings growth and to maintain actuarial balance. It seems fair to observe that most people, and even most Congressmen, did not interpret the old actuarial reports in this sophisticated manner. Adoption of the best possible assumption about future earnings growth immediately makes the actuarial calculations of social security finances much clearer to the great majority of people.

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[2] See Charles C. Killingsworth and Gertrude Schroeder, "Long-Range Cost Estimates for Old-Age Insurance," *Quarterly Journal of Economics*, Vol. 65, No. 2 (May, 1951), pp. 199–213.

[3] The Report of the Panel is included in the *Reports of the 1971 Advisory Council on Social Security* (Washington, D.C.: Government Printing Office, 1971).

On the other side of this issue is the argument that the built-in financial conservatism of the old actuarial methodology was highly desirable from the standpoint of government budget policy. On one level, such an argument may hold that the pattern of earnings growth experienced in the past in our economy is a poor predictor of future earnings trends. Among the many possible grounds for such an assertion, probably the most compelling are the growing political pressures for improvement of environmental quality, even at the sacrifice of continued increases in the production of conventional forms of final output. A related argument would stress similar pressures towards a zero population growth rate which, if achieved, would imply over the long run a financially difficult shift upwards for the social security retirement program of the ratio of elderly, retired persons to the working age population.[4] On another level, the case for financial conservatism in social security rests on the proposition that the benefits of economic growth should not all be given away before such growth actually occurs. Proponents of the old actuarial methodology can make the quite legitimate point that with an uncertain future, adoption of an increased earnings assumption in favor of the old level earnings assumption in official calculations of actuarial balance for social security is much more likely to result in unanticipated deficits for the system. According to this traditional view of government finance, such deficits must be avoided, if not at all costs, then certainly at the moot cost of making economic assumptions known to be wrong on the average.

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[4] See Robert J. Myers, "Social Security's Hidden Hazards," *The Wall Street Journal* (July 28, 1972), p. 8.

Arguments against adoption of the assumption of increasing earnings in social security accounting have the considerable merit of forcing us to face squarely the possibility of unanticipated deficits in the social security system under the new actuarial methods. How bad would such deficits be if they do occur? My personal answer is not much worse than the unanticipated surpluses of the past. The major point to repeat here is that the social security system is not a private pension system and actuarial arguments resting on an implicit private pension analogy should therefore be regarded as fallacious. The social security system does not fail if it runs at a a deficit in any one year or even over a period of years, because it has behind it the full tax powers of the federal government. The modern view of the budget regards unanticipated deficits in any segment of the total government sector, including the social security system, as standing on a par with unanticipated surpluses. Both have undesirable economic consequences assuming that the budget was originally consistent with the optimal government fiscal policy. The only qualification to this point is the obvious political circumstance that the Congress would prefer a prevalence of surpluses over deficits in social security, other things equal. How much this last point should count relative to the objective of optimal budget decision making in the federal government is crucial to the final position one takes on this whole issue. In this connection, it is of interest to note that the new actuarial methodology deals with the uncertainty problem directly by adopting an increasing earnings assumption and then making an *explicit* allowance for the sake of financial conservatism.[5] In addition, the Office of the Actuary also now provides for the first time illustrations of the sensitivity of its OASDI cost estimates to varying assumptions about the future course of earnings and consumer price levels. In my view, these developments are most praiseworthy improvements on past practices.

One last point about the new actuarial methodology deserves at least a brief mention. Following the arguments of the Panel of Actuaries and Economists for the 1971 Advisory Council, actuarial calculations of social security financing now accept the principle as well as the reality of current-cost financing of social security. From this year on, it will be explicit policy to maintain trust funds only as contingency funds sufficient to cover less than one year of current benefits without aid from the Treasury. This decision, together with the adoption of the more realistic assumptions about future earnings levels, moves the financing of social security closer to that of other government programs and should greatly aid overall budget decision making. And, of course, once it is finally recognized that the trust funds will never become anything more than contingency funds, our previous point concerning the relative desirability of social security deficits and surpluses becomes even stronger.

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[5] *1972 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds*, House Doc. No. 92-307, 92d Congress, 2d session (Washington, D.C.: Government Printing Office, 1972), pp. 30–33.

Some Broader Financing Issues

Discussion of the actuarial issues up to this point in the paper has not included the single most important recent change in social security financing—the very large benefit increases enacted this year along with correspondingly high payroll tax increases. The two benefit increases this year came on top of the two substantial previous benefit increases effective in 1970 and 1971. Congress in its wisdom found it statesmanlike to make this year's benefit increases effective prior to the November, 1972 election but deferred the tax increases until January, 1973. The magnitude of the payroll tax increase in this legislation is almost unbelievable in an election year in which both parties paid homage to the electorate's obvious hostility to higher taxes. Any American family whose main wage earner has earnings equal to or greater than $10,800 a year will find its payroll tax liability up from $468 in 1972 to $632 in 1973, an increase of about 35 percent. Families with more than one earner may of course feel the increased burden even more heavily. Furthermore, Congress has provided for automatic cost-of-living benefits increases in the future to be financed in part out of corresponding increases in the maximum taxable earnings level in the payroll tax.

In my view, an expansion of this magnitude in the social security programs at this date is unwarranted. If the American people were willing to finance all government programs more generously, then the social security programs should certainly get their share of the increase in the resources available to the public sector. But the unhappy reality is that the people are not willing to give more generous support to government programs, especially to the social welfare programs that have objectives complementary to those of social security. In such circumstances, the huge expansion of social security in 1972 comes largely at the expense of these other programs. The failure of the Congress to pass the administration's welfare reform program is just one piece of evidence consistent with this hypothesis. It is no longer possible for advocates of expanded social security programs to claim that decisions about social security financing are completely independent of decisions about the financial support provided to alternative social welfare programs funded out of general revenues. Popular hostility to higher taxes arises largely from objective comparisons of take-home pay to consumer price levels. For a large and increasing proportion of American families, the employee share of the social security payroll tax is a larger factor in creating a wedge between gross earnings and take-home pay than is the federal personal income tax. If the employer share of the payroll tax is added into this calculus, as it should be, this point holds with double the force. In summary, social security financing decisions this year are responsible both for significantly lessening the progressivity of the overall tax system and for increasing the financial stringencies choking off support for other worthwhile social welfare programs.

Finally, it should be noted that adoption of the new actuarial methods did not force the Congress to expand benefits this year excessively. The logic of the new actuarial methodology was certainly consistent with a much smaller expansion of the social security programs. But if the popular pundits are correct in their claim that adoption of the new actuarial methodology was a crucial factor in this year's social security legislation, then those who held views similar to my own are placed in an ironic position. That is, the universe of those with opinions about sets according to the views they hold as to (1) the recent changes in actuarial methods and (2) the magnitude of the 1972 expansion of the social security programs. One large set would oppose the departures from fiscal conservatism in the actuarial procedures and would also oppose the magnitude of the 1972 increases in social security benefits and taxes as excessive. A second large set, probably a plurality, would endorse both the changes in actuarial practices and the size of the program expansions. A third, probably small set, would oppose the recent changes in actuarial practices but at the same time would endorse the 1972 social security legislation. Finally, a fourth set, consisting of the present author and possibly some others, would endorse the changes in actuarial methodology but consider the 1972 legislation excessive and unwise. Those who agree with my views can find only cold consolation in the thought that a democratic system does not always make better decisions just because it is provided better quality information.

The Supplemental Security Income Program: Guaranteed Income for the Aged and Disabled[*]

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I. Introduction

H.R. 1, the welfare and social security measure enacted just before the election recess, contains two major parts. First, there is a $4.4 billion social security and Medicare package that at least in terms of the Old-Age, Survivors, Disability and Health (OASDHI) benefit structure is simply an expensive patch job. Second, a new Supplemental Security Income (SSI) program replaces the three public assistance cash programs for the aged, blind and disabled now administered by the States with a national program that will be administered by the Social Security Administration and will have a uniform, need-based payment schedule. In the main, H.R. 1 failed to treat the critical problems in income maintenance reform. Only SSI—which establishes a Federal income guarantee—looms as a critical next step toward the welfare and social security reform that is so badly needed.

SSI straddles both the welfare and the income replacement (mainly OASDHI) systems and hence is important for overall change in the Federal income security structure. First, if SSI ends income poverty humanely and efficiently for the aged (high costs rule out immediate poverty elimination for the blind and disabled), it can provide a model over time for meeting the income support problems of the whole population. Second, given the current mood toward welfare changes, major improvements in SSI—not just for the aged but also for the disabled and blind—may present the only real chance in the near term for significant welfare reforms. Third, a viable SSI eliminating poverty for the aged will facilitate a restructuring of the now outdated OASDHI benefit structure to make it a more efficient income replacement mechsnism for retired persons.

OASDHI is the income security system in the middle pressed on the one side for more poverty-related payments because of the inadequacies in the other public income security programs and on the other side for more income replacement dollars because of the inadequacies of private voluntary savings and pensions. The resulting benefit structure is heavily biased toward the lower end of the earnings scale yet cannot end poverty except at extremely high costs. At the same time this bias makes it an inefficient means of providing income replacement. Under these pressures, benefit outlays have risen rapidly from a 16 billion dollar

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[*] Work on this paper was supported in part by a Ford Foundation grant. The views expressed, however, are those of the author, not the Ford Foundation.

level in 1964 to an expected yearly rate of over 60 billion dollars once the new increases fully work themselves into the system. It seems likely that such increases cannot continue. Thus, the question of whether or not the present levels can be spent more efficiently becomes paramount, and that question centers around the Supplemental Security Income program. *If the pressure on the lower end of the OASDHI benefit structure to help the aged poor is removed through SSI, a restructuring can begin so that social security can meet the legitimate income replacement neeeds of the aged more efficiently; and only if OASDHI is restructured is it possible for the United States to have a sound overall income maintenance system.*

In its present form, however, the SSI program scheduled to start January 1, 1974 has a number of potentially serious deficiencies that could undo its positive features. The principal thesis of this paper is that 1) these deficiencies in SSI need correction prior to the program's initiation if we are to have an efficient, humane poverty elimination program for at least the aged, and 2) such an improved program is crucial for both welfare and social security reform and warrants serious consideration, even in this time of budget stringency.

II. The Supplemental Security Income Program[1]

A. Major Problems in the SSI Program

It is useful in discussing the major problems in the SSI program to set out briefly some near term desirable features for SSI and elaborate upon these in the subsequent discussion. SSI should end money income poverty as measured by the Social Security Administration poverty lines for aged individuals and couples (adequacy); treat persons in similar economic circumstances the same (equity); provide for the covering of extraordinary expenses (flexibility); determine eligibility and make payments in a manner consonant with basic societal values (a humane system); and should be integrated with other income security systems (integration). In terms of these basic criteria, SSI as presently structured is inadequate, inequitable, inflexible, potentially inhumane, and may have major problems concerning its interrelationship with other systems.[2]

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[1] Space restrictions placed on this paper have necessitated the assumption that the reader is generally familiar with provisions of SSI and limited materially the discussion of the problems in SSI and means of correcting them. For a more extensive treatment, see Walter Williams, "The Supplemental Security Income Program: Potentially the Next Crucial Step Toward Social Security and Welfare Reform," *Public Policy Paper* No. 5, Institute of Governmental Research, University of Washington, Seattle, Wash., 1973.

[2] The problems of inequity (e.g., persons with similar work/income problems but slightly different ages being treated differently) and inflexibility (no special needs provisions) are not discussed here but do receive treatment, including recommendations for alleviating the problems, in the reference cited in footnote one.

SSI will provide aged, blind and disabled persons a basic guarantee of $1560 and $2340 respectively for individuals and couples, disregards up to $20 a month of any other income, and allows recipients to keep additional *earned* income. This leaves recipients with zero other income well below the 1974 SSA poverty lines of $2160 for individuals and $2700 for couples. However, since roughly 85% of the aged have social security benefits, the $20 a month disregard provides most of the aged guarantee levels of $1800 for individuals and $2580 for couples. It seems likely that the great bulk of SSI recipients will be quite old or "young" aged persons with actuarially reduced OASDHI benefits who were forced out of the labor market so that neither group is likely to be able to work so as to escape poverty. Hence SSI for most of the eligible aged has an effective upper limit of $1800 for an individual and $2580 for couples—*(unearned) breakeven incomes below the poverty line.* Further, SSI does *not* provide additional benefits for dependents, *a deficiency that can result in grossly inadequate incomes for the disabled and blind families with children.* This deficiency probably cannot be corrected in the short run so the remainder of this section will focus on the aged.

No question looms larger than whether or not SSI is or can be designed, implemented and administered so that the needy aged feel such payments are rightfully theirs, justified in socially acceptable terms rather than as a charity payment that makes them a ward of the State. The posture that SSI takes in terms of assets is important at least symbolically in establishing a favorable image. It is in keeping with social values to reward those who have retired from the labor force for past saving by means of a reasonable level of asset exclusions, a non-earned income disregard, and/or a less than 100% tax rate on this income. In terms of appearances, not dollars, the determination of the level of asset exclusions may be the most important of the three. Historically, public assistance has seemingly operated on the principle that a person must be destitute in order to qualify—that is, without any assets that he could draw down with the exception of the home and furnishings and some States have had the objectionable feature of a lien on the home. This welfare mentality has continued in SSI with its low and explicit limitations on non-excluded—mainly financial—assets.

SSI leaves the States in the business of providing cash, Medicaid and direct services to the aged, blind and disabled so that generally there will be both Federal and State systems reaching the adult assistance group, and surely acts of omission (cutting benefits) or commission (harsh rules) by the States can impinge on SSI. If SSI is viewed simply as a part of the existing welfare structure, it is most unlikely to have a positive image. Yet, it serves little purpose in light of the unavailability of any evidence to speculate how recipients or potential recipients will perceive the overlapping sets of programs. The critical points at this time are that SSI and the States are scheduled to operate in a dual system, we know little about what the States will do or what effect State action will have on SSI, and a concerted effort may be needed to avoid negative effects from the State programs.

I believe that the Social Security Administration will try to implement and administer SSI humanely if they are allowed to do so by the Congress, HEW and/or the Executive Office. Decisionmakers may force SSA to take restrictive measures in the program because of cost concerns, a basic distrust of the poor, and/or the feeling that it is necessary to make recipients under need-based systems (except veterans) painfully aware of their second class status in part to differentiate them from OASDHI recipients. We have little evidence of what will happen, but is is important to record that both Senators Russell B. Long, Senate Finance Committee chairman, and Wallace F. Bennett, the ranking Republican, have made strong public statements indicating that the Social Security Administration will be allowed to operate SSI humanely. At the same time we simply cannot rule out that Congress or the Administration will inhibit SSA in carrying out the existing provisions of SSI, pass more restrictive provisions, or block new legislation aimed at making SSI more humane.

B. Near-term Recommendations on SSI

If SSI is to eliminate poverty among the aged, it needs a zero-income guarantee of $180 per month for individuals and $225 for couples. The lowest cost solution utilizing the Federal structure alone requires that all outside income be taxed at 100% and is estimated to cost in the neighborhood of $1.4 billion. However, because the 100% tax levels all incomes up to the guarantee amount, I prefer some form of a negative tax that would be more equitable and more supportive of societal values in establishing a system that will over time provide some reasonable reward for past differential work or savings efforts. We need be clear, however, that cost considerations demand quite high tax rates so the reward structure will be heavily constrained. At the same time, I feel that a less than 100% tax rate needs to be incorporated initially in SSI—even if it may appear at very high rates to be partly symbolic—as the start toward a reasonable treatment of the aged that will facilitate later improvements in SSI and other programs.

Guaranteed monthly benefits of $180 for individuals and of $225 for couples even with a 100% tax rate go a long way toward ending income poverty among the aged. Still poor would be important groups including aged individuals with non-excluded assets of over $1500 and couples over $2250. The treatment of assets is unlikely to have a significant dollar impact in any need-based program with low breakeven levels but still may be critical to whether the system appears humane or degrading. My recommendation would be to raise the present limits materially to the $5000–10,000 range. Or, it might be desirable to use the present approach in the Veterans Administration pension program of not setting a precise dollar limit but requiring the individual to list his assets so that a determination can be made whether or not the level of assets appears unreasonable in terms of receiving need-based benefits.

Congress has already acted to save the States a great deal of money under SSI and may be reluctant to reduce these savings. Yet, if Congress is willing to lower State savings, the State programs continuing after January 1, 1974, provide a means of dealing with deficiencies in SSI. First, if the Congress will not provide sufficient additional funds to meet minimum adequacy requirements under SSI alone, the States offer another alternative in moving toward this goal. Second, the State systems represent the only realistic opportunity for treating the special needs of the adult assistance group because cost considerations rule out recommending these needs be met out of Federal funds alone through SSI.

The requirement that *all* States supplement SSI sufficiently to bring the aged out of poverty as measured by the SSA poverty lines is the least cost solution either in additional Federal outlays or combined Federal-State outlays. Roughly one-half the States now pay above that guarantee at zero income for couples and nearly one-third are paying above the minimum for individuals, so continuing supplementation up to these levels involves no net additional State or Federal costs above those provided for in H.R. 1.[3] The further requirement that the other States must provide some supplementation will involve cutting into the expected State savings and/or new Federal dollars. Yet these additional outlays will be far less than the roughly $1.4 billion price tag for ending income poverty through SSI alone.

The States are presently providing for the special needs of the adult assistance group either through cash payments that might become State supplements after SSI's initiation or through direct services that will continue to be 75% funded by the Federal government. Requiring the States to maintain the standards for special needs existing prior to SSI certainly appears to be worthy of investigation. Such a requirement would raise State outlays to the extent that SSI increases the number of eligible persons in the State. We do not have cost estimates available to determine whether SSI can be corrected so as to require States to continue their previous standards for special needs as well as their cash supplements, and *also* provide significant savings because the level of effort requirements will not use up all of the expected State savings. If not, Congress might have to increase Federal spending above the present SSI levels to make participation palatable to the States, but again the new costs would be well below the amounts required to provide the benefits through SSI alone.

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[3] The hold harmless clause protects the States against higher costs, and H.R. 1 cost estimates now are based on the assumption that States will supplement up to the old levels.

Even if the Congress corrects none of the deficiencies in SSI discussed above before January 1, 1974, I still recommend a strong implementation effort by the Social Security Administration before that date that should include the development and when appropriate the initiation of the following:

1. Written, oral and visual materials intended to establish SSI as a socially acceptable means of treating poverty by stressing that SSI is a completely new (hence clearly distinct from public assistance) Federal income guarantee program for the adult assistance group that will supplement OASDHI and other income;
2. Staff procedures for Social Security Administration local offices that minimize as much as possible differential treatment between SSI and OASDHI recipients (e.g., *all* SSA staff members meeting the public should serve both types of recipients);
3. Eligibility standards and procedures for determining eligibility that are both nonintrusive and simple (i.e., no checking of the sort that has so marred welfare);[4]
4. Training techniques intended to orient SSA local staffs concerning technical information about the program and SSI's *rationale*;
5. An outreach campaign aimed at insuring that all eligible persons are aware of the SSI benefits to which they are entitled; and
6. An effort to induce States to use SSI for cash supplemental and Medicaid payments, make their rules and procedures for related programs more in line with those of SSI (less repressive), and keep up the level of their payments so combined SSI-State benefits do not fall below the earlier State payments (an effort that may require congressional help).

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[4] Apparently Congress will permit SSA to verify income from government data files such as those maintained by SSA and the Internal Revenue Service. Great diligence must be exerted, however, to see that repressive measures do not creep back into the system.

III. The Next Crucial Step and Beyond

Whether SSI represents the crucial next step toward a more sound income security structure depends upon a number of factors, the most important of which are these: 1) whether the Congress over a reasonable period of time makes needed changes and whether the Congress, the Executive Office and the Department of Health, Education and Welfare allow the Social Security Administration to administer SSI humanely; 2) whether the new program can be implemented successfully and administered in a reasonable fashion; 3) whether SSI becomes viewed as a socially acceptable means of ending poverty among the aged; and 4) whether the new program directly increases problems in the present income security system and/or will have the deleterious side effect of blocking additional needed changes.

If SSI over time eliminates poverty in the adult assistance group, it might be seen as a barrier to further progress in the welfare area in that it would leave a poverty population made up of groups relatively unpopular with the general public to be dealt with in a less adequate and humane manner. The point I would make is that holding the adult category as hostages to bargain for welfare reform certainly would have been immoral and probably strategically unsound. After all, Congress is both willing and able to provide the adult assistance category with better programs; no strategy is likely to force treatment of the poverty population as an undifferentiated whole so that attempts to benefit the adult category will accrue to the entire poverty group.

But it must be clear that even the aged may not be served adequately given the existing mood toward welfare reform. SSI in this sense is a testing ground to see whether any need-based program for the general population will be carried out humanely. If it can be, then the next round of positive improvements in welfare will probably also involve SSI with more adequate benefits for the disabled and blind. Whether the public and the Congress in the near term will be willing to move beyond this point to aid other groups remains in doubt. After four years of extended debate, the Congress's rejection of all welfare changes for needy families must not only be some kind of record in futility but also evidence of the difficulty of basic reform. While the blockages next year may be budgetary in nature, the long-run deterrent is primarily ideological—a basic dislike and distrust of the non-aged, "able-bodied" poor. And this will be hard to overcome. However, I believe that improvements in SSI make it more rather than less likely. If SSI develops into an humane and adequate system, it will be an important step forward in welfare reform both in helping a major group directly and in establishing a precedent for the rest of the poverty population, but we will still be a goodly distance from the fundamental welfare reform that is so badly needed.

Dramatic changes seem much more likely for OASDHI, and the development of a viable SSI program is one critical aspect in this restructuring. The main alternative—a demogrant that would have a payment level equal to the poverty line for *all* the aged—would be more costly than SSI. Hence SSI in being a more efficient mechanism may either offer the only near term means of ending poverty in this period of budget tightness or at the same level of outlays as a demogrant produce a materially higher level of support under OASDHI. Yet this advantage of efficiency is worth little unless SSI is viewed as a socially acceptable means of income transfer. SSI recipients must be comfortable with a process in which they have to declare their income in order to determine their level of benefits.

If SSI acquires a high level of acceptability, we will have succeeded in establishing an overall structure including SSI and OASDHI that is viewed as an acceptable means of treating the income problems of the aged. Such changes will not *pari passu* solve the financial problems of the aged. What these changes would do is establish a sound framework to undertake basic changes in OASDHI to meet the legitimate income replacement needs of the aged. Within such a framework we can begin the diffcult but, I believe, manageable, technical work of developing a sound benefit structure that will in concert with other income security programs yield an adequate level of replacement income at retirement.[5]

A final comment: In my opinion the most crucial issues in restructuring the income security system are socio-political. Such a statement should not be interpreted as indicating that technical issues are trivial. Yet the fact remains that the overriding question of welfare reform is the socio-political one of how the Congress and the public will view the worthiness and behavior of the poor and hence whether or not an income test that appears to be necessary for efficiency can be administered in such a way as to be humane and supportive of societal values. SSI is a major test of this question.

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[5] In this brief paper no effort will be made to discuss the elements of a restructured OASDHI, but two brief comments are warranted. First, I would guess that the changes in OASDHI will move it toward being a fully earned system. Second, a sound income security system will require beyond a restructuring OASDHI that we correct the grave flaws in private pensions and integrate these pensions with the overall Federal system.

DISCUSSION

James Cutt
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The most useful approach would seem to be to draw attention to aspects of the three papers to which Canadian experience can contribute.

Turning first to Walter Williams' paper on the Supplemental Security Income Program to OASDHI—hereinafter SSI—the Canadian parallel is interesting. The parallel program structurally in Canada to the OAS aspect of OASDHI is not what is called Old Age Security in Canada but is rather the *Canada Pension Plan* (CPP) which is financed by employee-employer contributions and provides earnings-related benefits after retirement. The parallel program to SSI, seen as a needs-tested supplement to OASDHI, is the *Guaranteed Income Supplement* (GIS) which provides a simple income-tested supplement to flat-rate *Old Age Security* payments (OAS). The definition of income for eligibility purposes under GIS is identical to that used in the Income Tax Act, and the subsidy reduction rate (negative income tax rate) as income from other sources increases is 50%. The monthly rates of payment under GIS where there is zero income from other sources (with the exception of OAS payments) are currently $55 for a single person and $95 for an elderly couple, providing in combination with the flat-rate under OAS of $80 monthly per person a guaranteed annual income of $1,620 per annum for a single person and $3,060 for a married couple. There is thus in Canada an additional tier to the system, a universal component eligibility for which is tied only to belonging to the aged category.

Now Walter Williams makes much, legitimately in my view, of the issue of stigma, or how payments under SSI will be perceived both by recipients and by others, and I wonder if I might offer this third, universal tier as a possible solution to the issue. The universal component, for which no form of test of any description other than membership of an age category is required, has had in Canada, and in the U.K. where the concept originates, a unifying, integrative, socially cohesive effect, reflecting an explicit Fabian objective that it should so act; although, for a given budget, it does involve a compromise with redistributive effectiveness, it does contribute substantially to a solution to the stigma problem, and may also contribute to other objectives such as political acceptability and administrative efficiency. A recent illustration of the political acceptability question is provided in Canada by the apparent decision of the rather badly mauled Trudeau administration to withdraw its proposal to transform the Family Allowances program from a universal (untested) to a selective (income-tested) basis.

The point is perhaps part of a larger issue on which I feel rather strongly—that the objectives of the reform of income maintenance policy should be multidimensional, reflecting the complexity of the issue and different categories of recipients, and that policy design might best be built up in a series of distinct components, if you like in a piecemeal fashion, related to these various components of the objective function. I am suggesting, in fact, that we may have erred in searching for general panaceas.

Turning to Mike Taussig's paper on financing income maintenance, I would like to make one general point and then turn to the specific issue of the new actuarial system in OASDHI.

The mode of financing is generally taken as the basic way of distinguishing income maintenance programs which are respectable inasmuch as they are financed on a so-called insurance basis by contributions or earmarked taxes from those which are not respectable inasmuch as they are financed from general revenues—if you like, between social security and social welfare in the U.S. usage of these terms. Now this distinction is really far from substantial in the case of broadly based contributory programs and programs financed from general revenues, which, by definition, are financed on a broad basis, and is invidious, I submit, for two reasons—reasons which account for the political respectability of the insurance approach. First, the earmarked tax or contribution mode of financing seems invariably to be highly regressive in nature—if one detaches the incidence of benefits from the incidence of taxes or contributions, and it seems reasonable to do this given the one or two generation lag between tax or contribution and receipt of benefit.[1] The payroll tax in the U.S. is manifestly of this nature, as are contributions under the CPP, where contributions rise as a proportion of income up to a current income maximum of $5,500 and then remain constant, or, in effect, become a diminishing proportion of income. Second, and clearly related to the first point, and this is a point which Mike Taussig stresses, expansion of the forms of income maintenance which are respectably financed may frequently be at the expense of alternative social policies, including social welfare policies, which might be considered more important for redistributive and other reasons.

On the specific new actuarial procedures described and lauded in Taussig's paper, it is difficult to disagree with the economic logic of the new system. Let me, just, however, sound one warning note on what I think might be an unduly cavalier willingness to countenance from time to time major deficits in social security programs. These programs are generally highly politically respectable, but this respectability may diminish rapidly if such programs are not seen as more or less self-financing. Recently in Canada a basically progressive if administratively ill-conceived transformation of the Unemployment Insurance payment system, whereby the federal government would assume from general revenues the financing of the program for rates of unemployment over a national average of 4%, has been subject to a great deal of political criticism because of the extent of general revenue financing which has become necessary. Now I have suggested previously that programs financed on the insurance principle might have been overextended relative to programs financed from general revenues; the facts remain that major components of income maintenance are financed on the insurance principle, that insurance-oriented financing may be peculiarly suitable to certain aspects of income maintenance, in particular, unemployment insurance and certain aspects, at least, of retirement pension programs, and that the continued political viability of such programs may hinge on the mode of financing remaining basically of a pre-paid nature. So it is important, if one feels that such programs have an important role to play in the overall structure of income maintenance, to bear in mind the need to maintain political support for such programs. This political support can drain away rapidly, if Canadian experience is any guide, by any suggestion of profligacy on the financing side.

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[1] J. Brittain, *The Payroll Tax for Social Security* (Washington: The Brookings Institution, 1972).

Turning finally, and very briefly, to Stuart Altman's paper, I would begin by saying that it is difficult for me to maintain even my limited normal rationality when I get onto the subject of medical insurance. Experience in Canada under medical insurance, which is a federal-provincial shared-cost program with provincial administration and jurisdiction, suggests that unless the public authority recognizes the need to maintain control of both the structure, distribution and quality of service, on the one hand, and the system of payments to the profession, on the other, the scheme becomes simply a feeding trough for a rapacious profession. If the medical profession, whose training and facilities are provided largely at public expense, are allowed to maintain complete control of entry into the profession, the nature and distribution of medical services, and the fee structure, then inevitably one finishes up with what we have in Ontario—a guaranteed annual income scheme for doctors at levels so grotesquely out of line with other professional salaries as to boggle the mind, adequate medical care only in large urban centres where doctors choose to locate and dispense their wares, consequently low average quality of care, and, in short, a high-cost, thoroughly inefficient system.

It would be attractive to think that financial incentives of the sort suggested by Altman would work. I suspect that in the case of medical insurance, the whole nature of the delivery system, and the crucial central role of the medical profession, require major control and regulation in the public interest rather than in the interest of the medical profession itself. An adequate approach requires the articulation of the objective or set of objectives of medical insurance—a first, general formulation suggests that a basic objective might be the provision of a specified average level of medical service at minimum cost—and the design of alternative delivery and payment systems to further the attainment of that objective or set of objectives. I suspect that a solution which offered adequate average service at least cost would require reconsideration of the whole nature of the medical profession, the design of alternative professional structures comprised of different types of medical service delivery personnel, public control of entry to the various categories of these new professional structures, the establishment of job evaluation and reasonable salary scales for the new professional categories, and the establishment of public control over the forms and locations of the delivery of medical services. Only when the costs of a system which would provide a specified quality of service are sorted out in such a manner can the mode of financing these costs—by contribution, from general revenue, or whatever—be approached rationally. At the moment in Ontario what has occurred is that the medical profession has been given the key to the public treasury. The political power of the profession in the U.S. augurs ill for any improvement south of the border.

DISCUSSION

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As we move toward the mid-1970's we face two major decisions in relation to social security issues that will have far-reaching repercussions. The first is whether we should adopt a national health insurance system, and, if so, what type of system. The second relates to welfare reform. And I should add a third—the future course of development of the OASDHI program. I shall comment briefly on each of these issues, with some references to points made in the three main papers.

National Health Insurance

At several points, Dr. Altman referred to national health insurance as "imminent." I am a lifelong advocate of national health insurance, but I hope it is not imminent, because I believe any scheme adopted in the near future is likely to freeze into the public program many of the weaknesses of existing private health insurance. The only type of national health insurance scheme that I would welcome would cover the entire population through one insurance fund, averaging in the low cost groups, or "good risks," with the high-cost groups. Private health insurance could then play a role in supplementing the basic benefits of the national scheme. If private plans are left more or less intact, inevitably the government will be left meeting the expenses of the high-cost groups, as it is now in the cases of Medicare and Medicaid.

Secondly, in Dr. Altman's interesting paper, he did not discuss the problem of geopraphical maldistribution of physicans and other health care personnel—one of our most serious problems. As I have indicated elsewhere,[1] I believe that this problem can be eventually overcome through a combination of five approaches: (1) comprehensive national health insurance, with some type of special compensation for physicians and other health personnel who practice in disadvantaged and low-income areas; (2) expansion of the National Health Service Corps; (3) incentives for the development of Health Maintenance Organizations (prepaid health care plans); (4) development of area health education centers along the lines recommended by the Carnegie

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[1] Margaret S. Gordon, "Health Education Centers: Their Role in Medical Education," *Journal of the American Medical Association*, Vol. 218 (November 22, 1971), pp. 1192–1194. See, also, Carnegie Commission on Higher Education, *Higher Education and the Nation's Health: Policies for Medical and Dental Education* (New York: McGraw-Hill, 1970).

Commission and now being started in a number of communities; and (5) delegation of some of the functions of the physician to physician's assistants.

Welfare Reform

We are moving toward a two-tiered income maintenance system, along with a number of other industrial countries, including our host country of Canada, which, in my opinion, has a particularly desirable system of income-maintenance for the aged. A two-tiered system should include: (1) some type of guaranteed minimum income; (2) a comprehensive group of adequate social insurance programs, designed to prevent workers from falling into poverty when they encounter the contingencies of industrial injury, temporary illness, prolonged disability, unemployment, or old age. It is difficult to structure a social insurance system so that it alone can stamp out poverty, and it is virtually impossible to structure a guaranteed minimum income system so that it will prevent sharp losses of income by average workers in the event of contingencies such as those mentioned above.

For a number of reasons, I prefer the universal income supplement (negative income tax) program that was recommended in 1969 by the President's Commission on Income Maintenance Programs (Ben W. Heineman, Chairman),[2] of which I was a member, to any of the recent Family Assistance proposals, although I think today the Commission would recommend a somewhat higher guaranteed minimum income than $2,400 for a family of four. The new British Government proposal for a tax credit system also merits careful study.[3]

The latest welfare reform proposals developed within HEW have only briefly been reported in the press. If approved, they would include a somewhat more generous negative income tax plan for "intact families" than the earlier Administration proposals—something I would welcome because it would help to hold families together. Contrary to much public opinion, the most serious weakness of our existing welfare system is not that it encourages numerous able-bodied men to exist on welfare, but that it does encourage many of them to live apart from their families so that mother and children can quality for welfare. In addition, the new proposals apparently abandon the notion of forcing any welfare mothers with children under 15 to work, on the ground that the cost to taxpayers, including that of child care, would exceed the value to society of the work such mothers would do.

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[2] *Poverty Amid Plenty: Report of the President's Commission on Income Maintenance Programs* (Washington, D. C.: Government Printing Office, 1969).

[3] *Proposals for a Tax-Credit System*, Cmnd. 5116, London: Her Majesty's Stationery Office, 1972.

In my opinion, the debate over welfare reform has been erroneously concerned with the question of whether or not welfare mothers should be *forced* to work. Let me quote a few passages from the supplemental statement I wrote for the Heineman Commission report:

> . . . I strongly agree [with the Commission] that a child care center program should not be developed for purposes of compelling welfare mothers to work, but I am emphatically in support of an adequate program of child care centers which would make possible for all low-income to lower-middle-income mothers, *a reasonable freedom of choice* between working and not working.
>
> Debate over this issue is often confused as a result of disagreement over whether mothers of young children should or should not work. In my view, there is no single answer to this question that is the right answer for all mothers. Many mothers of young children, whether in one-parent or two-parent families, have skills and training which they could use to good advantage . . . but they are prevented from doing so by the high cost of child care in the home . . . In other cases, mothers much prefer to be at home with their children, and they and their children both benefit from this arrangement. . . .
>
> In this connection, it should be kept in mind that there is constant movement into and out of the population of AFDC mothers. The evidence strongly suggests that many mothers who resort temporarily to Public Assistance could avoid doing so if the capacity of child care centers were not so glaringly deficient.[4]

I went on to propose a system of child care centers which would be partially financed by a sliding scale fee, related to income.

The Future of OASDHI

I disagree with Dr. Taussig that the recent increase in OASDHI benefits was excessive. To be sure, the increase was larger than might have been justified by cost of living increases in the last few years, but, if one views the problem in a longer perspective, there has been a glaring need to raise benefit levels to a somewhat more adequate level for a long time. Moreover, the impact of the tax increase on modest earners could have been alleviated if OASDHI were partially financed from general revenues, as I have long advocated, and as is the practice in many other countries. The tax would also be considerably less regressive if the earnings base had been increased at a more rapid rate over the years to maintain its original relationship with average earnings.

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[4] *Poverty Amid Plenty* . . . , pp. 79 and 81–82.

Although I agree with much in Dr. Williams' paper, I cannot agree with what he has to say about the income status of persons retiring in their early sixties. The plight of elderly men retiring early on reduced benefits is serious. Early retirement awards amounted to more than half of all male retirement awards becoming immediately payable throughout the years from 1962 to 1969, and all the statistical evidence indicates that most of the men who chose this option were victims of unemployment, low earning capacity, partial disability, or some combination of these problems.[5] It is partly because of these and other aging men, who drop out of the labor force for similar reasons even before age 62, that I prefer a universal negative income tax plan to categorical programs. Another alternative way of aiding many of these early retirees would be to liberalize the disability insurance program, which, among other things, is now restricted to those who are completely incapacitated for work.

More generally, I cannot agree with the growing number of conservative critics who think OASDHI is expanding to unmanageable proportions. Implicitly these critics want a large part of the function of providing retirement income to be reserved for private pensions. I think there is an important role for private pensions, but I am in favor of a strong basic national system comparable with some of the best of those in other industrial countries, such as Canada, Sweden, and West Germany. Now that we have turned to federal general revenues as the source of funds to provide a minimum income for impoverished elderly people, we should move to overcome the remaining deficiencies in the OASDHI program and to strengthen its role as an earnings-related system.

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[5] See the sources cited in Margaret S. Gordon, "Aging and Income Security in the U.S.: 35 Years after the Social Security Act," *The Gerontologist*, Vol. 10 (Winter, 1970), pp. 23–31.

DISCUSSION

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Dr. Taussig has presented a most interesting and provocative paper. Let me here give a few points where we may have some differences of opinion.

Dr. Taussig states that the single most important assumption in the actuarial cost estimates as they were previously presented was the assumption of level earnings over time. An equally important assumption was that the benefit provisions then in effect would not be changed over time.

I seriously question Dr. Taussig's view that the demographic and interest assumptions in the previous actuarial procedures were such as to have a conservative bias. Just what is the basis for this statement? Some might have said a number of years ago that the demographic assumptions were too conservative because they assumed that ZPG conditions would occur beginning in about the year 2000, whereas actually, ZPG conditions are with us right now (as indicated in more detail in my *Wall Street Journal* article that he quotes).

I think it should be recognized—as I had known and pointed out for many years—that the resulting actuarial surpluses developing from higher earning levels over the years served the purpose of keeping the benefit level up to date with changes in the cost of living and thus did not tend to produce "real benefit liberalization."

Dr. Taussig states that, in the past, tax rates were set so as to have close balance of income and outgo in the short-run. It should be made clear that the meaning of "short-run" is such as to include only the next two or three years. The phrase "later years" might otherwise be interpreted as being a period considerably distant in the future.

The long-run principle of financing OASDI previously was not to build up a trust fund comparable to those in many private pension plans. It is, of course, correct that the result would have been trust-fund balances well in excess of the level of about one year's outgo. But generally, the level was only about 5 years' outgo. This 5-times ratio is far below what prevails under mature conditions in private pension plans. This is not to say that I am defending such relatively high trust-fund balances under Social Security, because, as a matter of fact, in the early part of 1970, when the legislation that has just been enacted was first being considered, I recommended to the House Ways and Means Committee that the financing should move over much more closely to current-cost financing by grading the tax schedule over a period of many years (as had been done for the HI portion of the program), but I was unsuccessful in this respect.

I strongly object to the level-earnings assumption being referred to as an "absurdity." If it is unrealistic in some ways, I assert that it is much more unrealistic to use increasing earnings assumptions in a plan with static or fixed benefit provisions. If it is argued that the actuaries should also have made assumptions about how the Social Security program would change in the future, I assert that this is completely unrealistic from a political standpoint, because Congress could well ask how the actuaries could have the temerity to estimate what it alone has the power to do.

It is an entirely different situation when automatic-adjustment provisions for benefits and the taxable earnings base are incorporated in the law. Then, it is not only reasonable to use increasing-earnings assumptions, but also it is desirable to do so, at least to a limited extent. The real problem comes in what specific assumptions should be made because of their sensitivity when they are applicable over a 75-year period (especially considering the power of compounding). My views at the moment are that the trends of wages and prices should be estimated in a reasonable manner over the next 5 or 10 years, but that thereafter in order to be prudent—and also because of the significant possibility that, in the long run, wages and prices will move upward at about the same rate—no differential in the trends of wages and prices should be assumed.

Dr. Taussig asserts that, in the past, Congress had to increase benefits when surpluses were generated (as a result of the use of level-earnings assumptions), so as to maintain actuarial balance. I again point out that the reason that benefit levels had to be increased when earnings rose was not to use up the surplus generated by earnings growth, but rather to maintain the purchasing power of the benefits as the cost of living rose. It has, perhaps, been very fortuitous that in the past this was just about the result that was achieved.

Dr. Taussig refers to the possible problem of "unanticipated deficits" under the new actuarial methodology. I think that the real problem then is that tax rates will have to be much larger than those now scheduled. Specifically, if we do not have perpetual productivity gains in the order of 2% per year—and I do not see how we can do this for a long period of time—then the tax rates and the tax burden will be much larger than is now indicated in the law.

It is quite true that the present official actuarial cost estimates show the effect of varying assumptions about the future course of earnings and prices. However, unfortunately, all the figures given are based on the assumption that the rate of increase in wages will be far larger than the rate of increase of prices. The differential in the central set of economic assumptions is 2¼%, and in no instance in the alternative assumptions is it less than 2%. It would be most interesting to see the figures resulting from a set of assumptions such that this differential began at 2¼% and gradually tapered off to zero (or possibly even to an ultimate level of 1%). While Dr. Taussig considers the introduction of varying assumptions a praise-worthy improvement, might I point out that the previous actuarial methodology involved showing the alternative effects of low-cost and high-cost demographic factors.

I should like to emphasize that I have been a long-time advocate of current-cost financing and that this is a separable matter from the actuarial methodology. It is interesting to note that the 1971 Advisory Council recommended that the trust funds should have approximately one year's outgo as a balance, but that the recent amendments consciously violated this principle—by having only an 80% ratio for the next few years—so as to be able to finance the benefit changes in part (and thus have a somewhat lower tax rate than would have been necessary if a one year's balance has been aimed at).

Dr. Taussig refers to the future policy as to current-cost financing being accomplished "without aid from the Treasury." Under present law, in no circumstances is such aid possible.

The new actuarial methodology is praised by Dr. Taussig for greatly aiding budget decision making. It should be remembered that, insofar as budget decision making is concerned, the actuarial cost estimates have always shown figures for the next 5 years that are based on increasing earnings assumptions. Thus, the new methodology for the long-range estimates does not add anything in the direction of aiding budget decison making.

I can agree quite heartily with Dr. Taussig that the recent expansion of the Social Security program was unwarranted.

I cannot share Dr. Taussig's view that the employer's share of the payroll taxes should be assigned directly to each individual employee. It may be true that, in the aggregate, the total employer taxes are remuneration for the total group of employees. But, just as in private pension plans, the employer cost should be considered as being pooled and by no means spread proportionately among the covered workers (i.e. much more goes to the older and to the lower paid than to the younger and to the higher paid).

Dr. Taussig presents an interesting categorization of four different mutually exclusive sets of views on Social Security financing and the scope of the program. Generally speaking, I would join him in the 4th set—i.e. endorsing the changes in actuarial methodology (because the automatic-adjustment feature was introduced into the law), but deploring the overexpansion in the 1972 legislation. Perhaps where we would differ is on the assumptions to be used in the revised actuarial methodology; I think it prudent to assume that wages will increase at a more rapid rate than prices for a number of years, but that thereafter they will move at the same rate.

IX. DUAL LABOR MARKETS (Jointly with AEA)

A Theory of Labor Market Segmentation

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A growing body of empirical research has documented persistent divisions among American workers: divisions by race, sex, educational credentials, industry grouping, and so forth.[2] These groups seem to operate in different *labor markets*, with different working conditions, different promotional opportunities, different wages, and different market institutions.

These continuing labor market divisions pose anomalies for neoclassical economists. Orthodox theory assumes that profit-maximizing employers evaluate workers in terms of their *individual* characteristics and predicts that labor market differences among groups will decline over time because of competitive mechanisms.[3] But by most measures, the labor market differences among groups have not been disappearing.[4] The continuing importance of *groups* in the labor market thus is neither explained nor predicted by orthodox theory.

Why is the labor force in general still so fragmented? Why are group characteristics repeatedly so important in the labor market? In this paper, we summarize an emerging radical theory of labor market segmentation; we develop the full arguments in a longer paper.[5] The theory argues that political and economic forces within American capitalism

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[1] This research was supported by a grant from the Manpower Administration, U.S.D.L. Needless to say, the authors alone are responsible for the views expressed in this paper.

[2] F. Blau, "Women's Place in the Labor Market," *American Economic Review*, May, 1972; B. Bluestone, "Institutional and Industrial Determinants of Wages," Boston College (mimeo), 1971; S. Bowles and H. Gintis "IQ in the U.S. Class Structure", *Social Policy*, Jan.–Feb., 1973; D. Gordon, *Theories of Poverty and Underemployment*, Lexington, Mass., 1972; B. Harrison, *Education, Training and the Urban Ghetto*, Baltimore, 1972; M. Reich, "The Economics of Racism", in D. Gordon, ed., *Problems in Political Economy*, Lexington, Mass., 1971; H. Wachtel and C. Betsey, "Low Wage Workers and the Dual Labor Market: An Empirical Investigation", American University (mimeo), April, 1972; H. Zellner, "Discrimination Against Women, Occupational Segregation, and the Relative Wage", *American Economic Review*, May, 1972.

[3] K. Arrow, "Some Models of Racial Discrimination in the Labor Market," in A. Pascal, *The American Economy in Black and White*, Santa Monica, California, 1971.

[4] R. Edwards, M. Reich, and T. Weisskopf, *The Capitalist System*, Englewood Cliffs, N.J., 1972, Chapters 5, 7, 8.

[5] M. Reich, D. Gordon and R. Edwards, "Labor Market Segmentation in American Capitalism," forthcoming, 1973.

have given rise to and perpetuated segmented labor markets, and that it is incorrect to view the sources of segmented markets as exogenous to the economic system.

Present Labor Market Segmentation

We define labor market segmentation as the historical process whereby political economic forces encourage the division of the labor market into separate sub-markets, or segments, distinguished by different labor market characteristics and behavioral rules. Segmented labor markets are thus the outcome of a segmentation process. Segments may cut horizontally across the occupational hierararchy as well as vertically. We suggest that present labor market conditions can most usefully be understood as the outcome of four segmentation processes.

1. *Segmentation into Primary and Secondary Markets*: The primary and secondary segments, to use the terminology of dual labor market theory, are differentiated mainly by stability characteristics. Primary jobs require and develop stable working habits; skills are often acquired on the job; wages are relatively high; job ladders exist. Secondary jobs do not require and often discourage stable working habits; wages are low, turnover is high and job ladders are few. Secondary jobs are mainly (though not exclusively) filled by minority workers, women and youth.
2. *Segmentation Within the Primary Sector*: Within the primary sector we see a segmentation between what we call "subordinate" and "independent" primary jobs. Subordinate primary jobs are routinized and require personality characteristics of dependability, discipline, responsiveness to rules and authority, and acceptance of a firm's goals. Both factory and office jobs are present in this segment. In contrast, independent primary jobs encourage and require creative, problem-solving, self-initiating characteristics, and often have professional standards for work. Voluntary turnover is high, and individual motivation and achievement are highly rewarded.
3. *Segmentation by Race*: While minority workers are present in secondary, subordinate primary, and independent primary segments, they often face distinct segments within those submarkets. Certain jobs are "race-typed," segregated by prejudice and by labor market institutions. Geographic separation plays an important role in maintaining divisions between race segments.
4. *Segmentation by Sex*: Certain jobs have generally been restricted to men; others to women. Wages in the female segment are usually lower than in male jobs; female jobs often require and encourage a "serving mentality"—an orientation toward providing services to other people and particularly to men. These characteristics are encouraged by family and schooling institutions.

The Historical Origins of Labor Market Segmentation

The present divisions of the labor market are best understood from an historical analysis of their origins. We argue that segmentation arose during the transition from competitive to monopoly capitalism. Our historical analysis focuses on the era of monopoly capitalism, from roughly 1890 to the present, with special emphasis on the earlier transitional years.

During the preceding period of competitive capitalism, labor market developments pointed toward the progressive *homogenization* of the labor force, not toward segmentation. The factory system eliminated many skilled craft occupations, creating large pools of semi-skilled jobs.[6] Production for a mass market and increased mechanization forged standardized work requirements. Larger establishments drew greater numbers of workers into common working environments.

The increasingly homogeneous and proletarian character of the work force generated tensions which were manifest in the tremendous upsurge in labor conflict that accompanied the emergence of monopoly capitalism: in railroads dating back to 1877, in steel before 1901 and again in 1919, in coal-mining during and after the First World War, in textile mills throughout this period, and in countless other plants and industries around the country. The success of the IWW, the emergence of a strong Socialist Party, the general (as opposed to industry-specific) strikes in Seattle and New Orleans, the mass labor revolts in 1919 and 1920, and the increasingly national character of the labor movement throughout this period indicated a wide-spead and growing opposition to capitalist hegemony in general. More and more, strikes begun "simply" over wage issues escalated to much more general issues.[7]

At the same time that the work force was becoming more homogeneous, those oligopolistic corporations that still dominate the economy today began to emerge and to consolidate their power. The captains of the new monopoly capitalist era, now released from short-run competitive pressures and in search of long-run stability, turned to the capture of strategic *control* over product and factor markets. Their new concerns were the creation and exploitation of monopolistic control, rather than the allocational calculus of short-run profit-maximization.[8]

The new needs of monopoly capitalism for control were threatened by the consequences of homogenization and proletarianization of the work force. Evidence abounds that large corporations were painfully

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[6] N. Ware, *The Industrial Worker, 1840–1860*, Chicago, 1964.

[7] J. Brecher, *Strike!*, San Francisco, 1972; J. Commons, *History of Labor in the United States*, New York, 1935.

[8] A. Chandler, *Strategy and Structure*, New York, 1966; B. Emmet and J. Jeuck, *Catalogues and Counters*, Chicago, 1950; R. Hidy and M. Hidy, *Pioneering in Big Business, 1882–1911*, New York, 1955; A. Nevins, *Ford: The Times, The Man, The Company*, New York, 1954.

aware of the potentially revolutionary character of these movements. As Commons notes, the employers' "mass offensive" on unions between 1903 and 1908 was more of an ideological crusade than a matter of specific demands.[9] The simultaneous formation of the National Civic Federation, a group dominated by large "progressive" capitalists, was another explicit manifestation of the fundamental crisis facing the capitalist class.[10] The historical analysis which follows suggests that to meet this threat, employers actively and consciously fostered labor market segmentation in order to "divide and conquer" the labor force. Moreover, the efforts of monopolistic corporations to gain greater control over their product markets led to a dichtomization of the industrial structure which had the indirect and unintended, though not undesired effect of reinforcing their conscious strategies. Thus labor market segmentation arose from both conscious strategies and systemic forces.[11]

Conscious Efforts: Monopoly capitalist corporations devised deliberate strategies to resolve the contradictions between the increased proletarianization of the work force and the growth and consolidation of concentrated corporate power. The central thrust of the new strategies was to break down unified worker interests that grew out of the proletarianization of work and the concentration of workers in urban areas. As exhibited in several aspects of these large firms' operations, this effort aimed to divide the labor force into various segments so that the actual experiences of workers were different and the basis of their common opposition to capitalists undermined.[12]

The first element in the new strategy involved the internal relations of the firm. The tremendous growth in the size of monopoly capitalist workforces, along with the demise of craft-governed production, necessitated a change in the authority relations upon which control in the firm rested.[13] Efforts toward change in this area included Taylorism and Scientific Management, the establishment of personnel departments, experimentation with different organizational structures, the use of industrial psychologists, "human relations experts" and others to devise appropriate "motivating" incentives and so forth.[14] From this effort emerged the intensification of hierarchical control, particularly the "bureaucratic form" of modern corporations. In the steel industry, for example, a whole new system of stratified jobs was introduced shortly after the formation of U.S. Steel.[15] The effect of bureaucratization was to establish a rigidly graded hierarchy of jobs and power, by which "top-down" authority could be exercised.

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[9] Commons, *op. cit.*

[10] J. Weinstein, *The Corporate Ideal in the Liberal State*, Boston, 1967.

[11] We have paid more attention in this brief summary to employers' conscious efforts because the other papers presented in this session provide a complementary emphasis on systemic forces. We fully develop both explanations in Reich, Gordon, and Edwards.

[12] These efforts were "conscious" in the following sense: Capitalists faced immediate problems and events, and devised strategies in response. Successful strategies survived and were copied. These efforts were not "conscious" in the sense that those who undertook them understood fully the historical forces acting upon them or all the ramifications of their policies. As we argue in the text, in certain cases capitalists acted out of a broader class consciousness.

[13] R. Edwards, *Alienation and Inequality: Capitalist Relations of Production in Bureaucratic Enterprises*, Harvard University, (unpub. Ph.D. Thesis), 1972.

The restructuring of the internal relations of the firm furthered labor market segmentation through the creation of segmented "internal labor markets." Job ladders were created, with definite "entry-level" jobs and patterns of promotion. While-collar workers entered the firm's workforce and were promoted within it in different ways from the blue-collar production force. Workers not having the qualifications for particular entry-level jobs were excluded from access to that entire job ladder. In response, unions often sought to gain freedom from the arbitrary discretionary power of supervisors by demanding a seniority criterion for promotion. In such cases, the union essentially took over the management of the internal labor markets: they agreed to allocate workers and discipline recalcitrants—helping legitimize the internal market in return for a degree of control over its operation.[16]

One such effort at internal control eventually resulted in segmentation by industry. Firms had initially attempted to raise the cost to workers of leaving individual companies (but not the cost of entering) by restricting certain benefits to continued employment in that company. Part of this strategy was "welfare capitalism" which emerged from the National Civic Federation in particular, and achieved most pronounced form in the advanced industries. At Ford, for example, education for the workers' children, credit, and other benefits were dependent on the workers' continued employment by the firm, and therefore tied the worker more securely to the firm. For these workers, the loss of one's job meant a complete disruption in all aspects of the family's life. Likewise, seniority benefits were lost when workers switched companies.[17] As industrial unions gained power, they transformed some of these firm-specific benefits to industry-wide privileges. The net effect was an intensification not only of internal segmentation, but also of segmentation by industry, which, as we discuss in the next section, had other origins as well.

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[14] L. Baritz, *The Servants of Power*, Middletown, Conn.; 1964, Chandler, op. cit; S. Marglin, "What Do Bosses Do?" Harvard University (mimeo), 1971; F. Miller and M. Coghill, *The Historical Sources of Personnel Work*, Ithaca, New York, 1961.

[15] K. Stone, "Labor Management and the Origin of Job Structures in the Steel Industry", Harvard University (mimeo), 1973.

[16] P. Doeringer and M. Piore, *Internal Labor Markets and Manpower Analysis*, Lexington, Mass., 1971.

[17] Weinstein, *op. cit.*

At the same time that firms were segmenting their internal labor markets, similar efforts were underway with respect to the firm's external relations. Employers quite consciously exploited race, ethnic, and sex antagonisms in order to undercut unionism and break strikes. In nummerous instances during the consolidation of monopoly capitalism, employers manipulated the mechanisms of labor supply in order to import blacks as strikebreakers, and racial hostility was stirred up to deflect class conflicts into race conflicts. For example, during the steel strike of 1919, one of the critical points in U.S. history, some 30,000 to 40,000 blacks were imported as strikebreakers in a matter of a few weeks. Employers also often transformed jobs into "female jobs" in order to render those jobs less susceptible to unionization.[18]

Employers also consciously manipulated ethnic antagonisms to achieve segmentation. Employers often hired groups from rival nationalities in the same plant or in different plants. During labor unrest the companies sent spies and rumor-mongers to each camp, stirring up fears, hatred and antagonisms of other groups. The strategy was most successful when many immigrant groups had little command of English.[19]

The manipulation of ethnic differences was, however, subject to two grave limitations as a tool in the strategy of "divide and conquer." First, increased English literacy among immigrants allowed them to communicate more directly with each other; second, mass immigration ended in 1924. Corporations then looked to other segmentations of more lasting significance.

Employers also tried to weaken the union movement by favoring the conservative "business-oriented" craft unions against the newer "social-oriented" industrial unions. An ideology of corporate liberalism toward labor was articulated around the turn of the century in the National Civic Federation. Corporate liberalism recognized the potential gains of legitimizing some unions but not others; the N.C.F. worked jointly with the craft-dominated American Federation of Labor to undermine the more militant industrial unions, the Socialist Party, and the I.W.W.[20]

As the period progressed, employers also turned to a relatively new divisive means, the use of educational "credentials." For the first time, educational credentials were used to regularize skill requirements for jobs. Employers played an active role in molding educational institutions to serve these channeling functions. The new requirements helped maintain the somewhat artificial distinctions between factory workers and those in routinized office jobs, and helped generate some strong divisions within the office between semi-skilled white-collar workers and their more highly-skilled office mates.[21]

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[18] Brecher, *op. cit.*; D. Brody, *Steelworkers: The Non-Union Era*, New York, 1965; Commons, *op. cit.*

[19] Brecher, *op. cit.*; Brody, *op. cit.*

[20] Weinstein, *op. cit.*

Systemic Forces

The rise of giant corporations and the emergence of a monopolistic core in the economy sharply accentuated some systemic market forces that stimulated and reinforced segmentation. As different firms and industries grew at different rates, a dichotomization of industrial structure developed.[22] The larger, more capital-intensive firms were generally sheltered by barriers to entry, enjoyed technological, market power, and financial economies of scale and generated higher rates of profit and growth than their smaller, labor-intensive competitive counterparts. However, it did not turn out that the monopolistic core firms were wholly to swallow up the competitive periphery firms.

Given their large capital investments, the large monopolistic corporations required stable market demand and stable planning horizons in order to insure that their investments would not go unutilized.[23] Where demand was cyclical, seasonal, or otherwise unstable, production within the monopolistic environment became increasingly unsuitable. More and more, production of certain products was sub-contracted or "exported" to small, more competitive and less capital-intensive firms on the industrial periphery.

Along with the dualism in the industrial structure, there developed a corresponding dualism of working environments, wages and mobility patterns. Monopoly corporations, with more stable production and sales, developed job structures and internal relations reflecting that stability. For example, the bureaucratization of work rewarded and elicited stable work habits in employees. In peripheral firms, where product demand was unstable, jobs and workers tended to be marked also by instability. The result was the dichotomization of the urban labor market into "primary" and "secondary" sectors, as the dual labor market theory has proposed.[24]

In addition, certain systemic forces intensified segmentation within corporations in the primary sector. As Piore has argued, the evolution of technology within primary workplaces tended to promote distinctions between jobs requiring general and specific skills.[25] As new technologies emerged which replicated these differential skill requirements, employers found that they could most easily train for particular jobs those workers who had already developed those different kinds of skills. As highly technical jobs evolved in which the application of generalized, problem-solving techniques were required, for instance, employers found that they could get the most out of those who had already developed those traits. Initial differences in productive capacities were inevitably reinforced.

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[21] S. Bowles, "Understanding Unequal Economic Opportunity," *American Economic Review*, May 1973; Bowles and Gintis, *op. cit.*; D. Cohen and M. Lazerson, "Education and the Industrial Order," *Socialist Revolution*, #8, March–April, 1972; Edwards, *op. cit.*

[22] R. Averitt, *The Dual Economy*, New York, 1967; J. O'Connor, "Inflation, Fiscal Crisis and the American Working Class", *Socialist Revolution*, #8, March–April, 1972; T. Vietorisz and B. Harrison, "Dual Labor Markets, Positive Feedback and Social Control," this volume.

[23] J. Galbraith, *The New Industrial State*, Boston, 1967.

[24] Gordon, 1972, *op. cit.*; M. Piore, "Notes for a Theory of Labor Market Stratification," working paper No. 95, Department of Economics, M.I.T. Oct. 1972.

The Social Functions of Labor Market Segmentation

As the preceding historical analysis has argued, labor market segmentation is intimately related to the dynamics of monopoly capitalism. Understanding its origins, we are now in a position to assess its social importance.

Labor market segmentation arose and is perpetuated because it is *functional*—that is, it facilitates the operation of capitalist institutions. Segmentation is functional primarily because it helps reproduce capitalist hegemony. First, as the historical analysis makes quite clear, segmentation divides workers and forestalls potential movements uniting all workers against employers.[26] Second, segmentation establishes "fire trails" across vertical job ladders, and to the extent that workers perceive separate segments with different criteria for access, they limit their own aspirations for mobility. Less pressure is then placed on other social institutions—the schools, and the family, for example—that reproduce the class structure. Third, division of workers into segments legitimizes inequalities in authority and control between superiors and subordinates. For example, institutional sexism and racism reinforce the industrial authority of white male foremen.

Political Implications

One of the principal barriers to united anti-capitalist opposition among workers has been the evolution and persistence of labor market segmentation. This segmentation underlies the current state of variegation in class consciousness among different groups of workers. A better understanding of the endogenous sources of uneven levels of consciousness helps explain the difficulties involved in overcoming divisions among workers. Nonetheless, if we more clearly understand the sources of our divisions, we may be able to see more clearly how to overcome them.

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[25] Piore, *op. cit.*

[26] C. Kerr and A. Siegal, "The Inter-Industry Propensity to Strike", in A. Flanders, *Collective Bargaining*, Baltimore, 1969.

Labor Market Segmentation: The Endogenous Origin of Barriers to Mobility

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I. Introduction

A number of institutional and econometric studies have measured and analyzed the existence and dimensions of labor market segmentation (cf. Bluestone, 1970; Doeringer and Piore, 1971; Gordon, 1971, 1972; Harrison, 1972a, especially Ch. 5; Harrison, 1972b; Piore, 1972; Wachtel and Betsey, 1972). These studies find that the labor market in the United States is divided into discrete segments across which mobility is severely restricted by technological and social barriers. Our paper links up with these studies. It addresses the issue: What explains the existence of labor market segmentation? What mechanisms bring it about within the prevailing institutions? In particular, can the barriers to mobility separating individual segments be shown to be endogenously created by these mechanisms?

In order to comply with limitations on length, Sections I and II of this paper have been cut to a summary. The full statement will be found in Vietorisz and Harrison, 1973a.

II. A Feedback Model of the Labor Market

In order to demonstrate that the tendency toward labor market segmentation is inherent in the core institutions of a modern market economy, we shall employ a number of non-standard conceptions about the economic system:

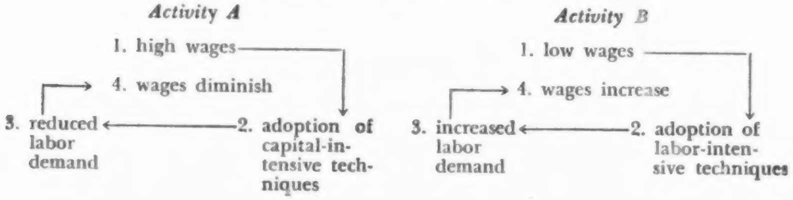
(1) In some key subsystems, positive rather than negative feedback dominates (Myrdal, 1957; Vietorisz, 1959);

(2) Mechanization and automation are instances of *irreversible change* (Georgescu-Roegen, 1971) in the social organization of the process of production, rather than marginal adjustments along the capital-labor isoquants of a changeless production function;

(3) The level of real wages is set by the money-wage bargain and the degree of oligopoly in commodity markets; the labor market does not "clear" at marginally determined real wage levels (Nell, 1972).

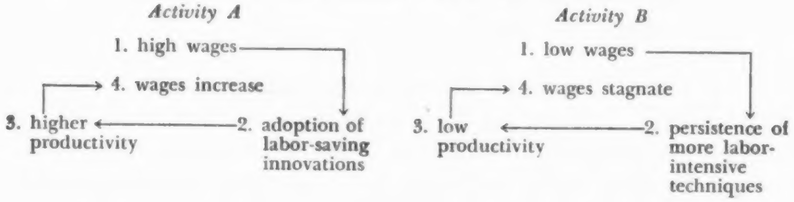
Feedback is a closed cycle of causation. The neoclassical economic model of the interaction of wage levels and production techniques is a case of equilibrating or "negative" feedback. If wage levels temporarily differ in two activities A and B (e.g. as the result of some random disturbance), the feedback cycle illustrated in Fig. 1 will tend to narrow or eliminate the difference.

Figure 1. Production technique cycle (negative feedback):


Activity A
1. high wages
4. wages diminish
3. reduced labor demand
2. adoption of capital-intensive techniques
Activity B
1. low wages
4. wages increase
3. increased labor demand
2. adoption of labor-intensive techniques

When we replace neoclassical assumptions by the three non-standard conceptions given above, negative feedback is no longer inevitable. Where concentration and segmentation occur, equilibrium forces are overpowered by strong "positive" feedback which arises when the induced effect—after completion of the cycle—reinforces the original effect. Figure 2 gives a reinterpretation of the production technique cycle based on our fundamental conceptions of the nature of the labor market. Now activities A and B will undergo *divergent development.* Technological levels, labor productivity, and wages will steadily advance in activity A while they will stagnate in activity B. The cluster of activities of type A will define the primary labor market, and that of type B, the secondary labor market.

Figure 2. Production technique cycle (positive feedback)


Activity A
1. high wages
4. wages increase
3. higher productivity
2. adoption of labor-saving innovations
Activity B
1. low wages
4. wages stagnate
3. low productivity
2. persistence of more labor-intensive techniques

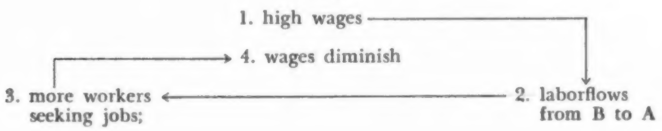
In any real labor market, positive and negative feedback cycles always operate side by side, with their relative strengths determining where the outcome will tend toward homogeneity and where toward segmentation. Myrdal (1957) has termed these antithetic forces "spread" (negative) and "backwash" (positive) effects. Labor displacement by laborsaving innovations is a spread effect, but it is shown to be too weak to uniformly guarantee equilibrium.

Yet uniformly dominant positive feedback alone cannot explain segmentation either. *Segmentation* implies internal cohesion *within* the segments as much as divergence *between* them. Locally dominant spread effects are responsible for this cohesion.

The most important of the locally dominant spread effects is mobility which tends to eliminate any wage differential. (See Figure 3 for Activity A; for Activity B, the cycle runs in reverse.) *Within* labor market segments mobility is high and therefore wages tend to converge. *Between* labor market segments, mobility is low and the backwash effects become dominant.

Figure 3. Mobility cycle: (negative feedback)

Activity A



Low mobility can occur as a result of geographical distance with positive relocation costs; then the result is the progressive divergence of wage levels between advanced and backward areas. It can occur as a result of discrimination by race or sex. It can also occur as a result of sociological barriers, as between crafts or public functions traditionally controlled by particular ethnic groups. But if we simply postulate the existence of such barriers to mobility then we have failed to show that segmentation is indeed an endogenous phenomenon in a market economy. In order to show that low mobility from B to A type activities will tend to develop even within an initially (spatially or sociologically) homogeneous labor force, we must invoke another cycle of causation, involving education and training.

III. The Endogenous Origin of Barriers to Mobility

Technology and Skills. Major differences in education, work norms (Piore, 1973) and job-oriented training to be referred to hereafter simply as "skills," arise as a result of positive feedback in the labor market. These differences in turn become effective barriers to mobility which sustain the divergent development of labor market segments.

Figures 4 and 5 show the positive feedback cycles underlying these endogenous barriers. In each case, only the advancing activity A is shown. For activity B, the cycle runs in reverse, leaving wages, skills, and productivity stagnant.

Figure 4. Skill cycle: (positive feedback)

Activity A

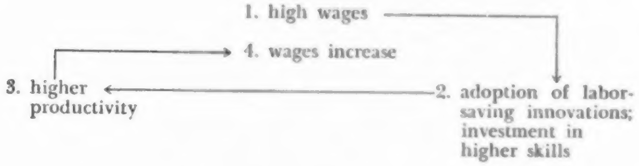
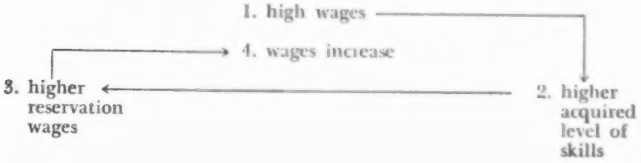

1. high wages
4. wages increase
3. higher productivity
2. adoption of laborsaving innovations; investment in higher skills

Figure 5. Reservation wage cycle (positive feedback)

Activity A


1. high wages
4. wages increase
3. higher reservation wages
2. higher acquired level of skills

Our basic conception is that *laborsaving technological innovations substitute both capital goods and higher skills for less skilled labor.* The capital goods of the more advanced technology are *complementary* with the more skilled labor, and therefore a higher average skill level of the labor force is both a requirement for the adoption of laborsaving innovations and a consequence of the technical advance these innovations represent.

Figure 4 is an elaboration of the cycle which was illustrated earlier in Figure 2. The consequence of laborsaving innovations and a higher average skill level of the labor force is higher productivity.

At this point we are able to avoid many of the complications of the orthodox theory of human capital. Having bypassed capital-labor isoquants, non-innovative substitutions, and marginally determined wage rates, we need not emphasize the distinctions between general and specific skills nor employer investment versus self-investment in worker skills, to show how divergent development and barriers to mobility arise. No matter what the skills are or where they come from, their effect—as part of the social organization of the process of production at a higher technological level—is to strengthen the hand of labor in the money-wage bargain. The average level of wages in activity A will therefore rise.

The higher wages, in turn, will both motivate and finance self-investment in skills by the workers. These skills will be in demand because employers will wish to adopt further laborsaving innovations. Moreover, employers will themselves be motivated to invest in both the general and specific skills of their workers as part of the technological upgrading process. The resulting rise in productivity keeps the cycle going.

In activity B, by contrast, wages are low, laborsaving innovations are absent, and there is no need nor any use for higher skills. Self-investment in higher skills by the workers is therefore neither motivated nor financed. Employer investment in specific or general skills of the workforce is held to the minimum made necessary by labor turnover under the existing technology. Therefore wages, skills, technology, and productivity all tend to stagnate.

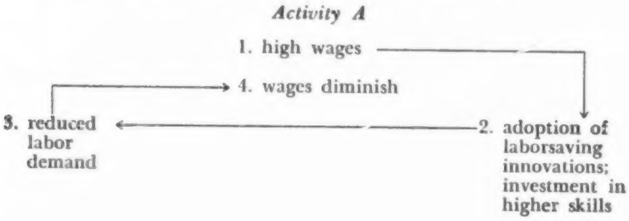
Reservation wages. Figure 5 presents an aspect of this process emphasized by Bluestone (1970) and Wachtel and Betsey (1972). Given the widely held expectation that self-investment in education and skills entitles one to higher income and social status, the act itself will induce workers to raise their "reservation wages," i.e., the level of wage for their particular skill class beneath which they are unwilling to offer any labor at all.

To be sure, this "asking wage" may fall over time in response to continued unemployment, as posited by the "search theorists" (cf. Holt, et al., 1971). Moreover, it is to some extent related to the level and availability of other forms of income; illegal earnings or public assistance reinforce high reservation wages (Harrison, 1972a, Ch. 5). In any event, the aspiration level and militancy of workers increases and tends to improve the wage bargain.

Such self-investment in higher skills—including investment in the education and training of one's children—is possible only from wages paid by type A activities. Type B activities leave no margin for self-investment, which further contributes to the stagnation of these activities.

Negative feedback and skills. The spread effects, operating side by side with the backwash effects which have been discussed earlier, can now be elaborated from the point of view of skills. Figure 6 presents an expanded and more detailed version of the negative feedback cycle. The cycle *opposes* the divergent movement of average skill and wage levels between activities A and B. It originates in labor displacement by laborsaving innovations, and translates the reduced labor demand in activity A into a deterioration of the wage bargain. Step 4 of the cycle thus represents a diminished wage level for a labor force with higher-than-average skills in activity A. This in turn will reduce both the

Figure 6. Skill cycle (negative feedback)


Activity A
1. high wages
4. wages diminish
3. reduced labor demand
2. adoption of laborsaving innovations; investment in higher skills

means and the motivation for worker self-investment in skills, and the upward surge of activity A is dampened. Activity B, where no laborsaving innovations have taken place, furnishes the reference level for wages and skills.

Note that the spread effect does not require symmetry between activity A and B. Since technological improvement is irreversible, we do not postulate that activity B will *regress* under the influence of low wages, going back to more labor-intensive techniques, but merely that it will remain stagnant.

This asymmetry has important implications for the pattern of economic growth. Negative feedback is not capable of pulling up a stagnant activity to the level of more dynamic activities since merely sustaining the labor demand for archaic, low skill technologies is far too weak an effect to accomplish such a result. On the other hand, negative feedback can retard or forestall the advance of potentially dynamic activities.

Which activities will, therefore, become type A (primary) and which type B (secondary)? Some activities have inherently high skill requirements while others *can* be undertaken at low average skill levels, even though they might also be susceptible to technological and skill upgrading. In Nineteenth-Century England, cotton-textile manufacture worked with low skills, low wages, and was technologically stagnant compared to its higher-wage, higher-skilled American counterpart. Yet machine building, requiring inherently higher-skilled mechanics, paid better wages from the start and was a technologically progressive industry. The activity inherently requiring higher skills will therefore become primary, but random shocks *can* also start an initially low-wage, low-skill activity on a dynamic upward path.

Skills and mobility. We are now ready to close the argument on the endogenous generation of barriers to mobility via skills.

High mobility gives rise to a spread effect strong enough to wipe out the positive feedback cycle leading to divergent development. Mobility between type A and type B activities, as shown in Figure 3, can operate across minor skill barriers. But mobility across major skill barriers will tend to be far more restricted.

This conception can be readily quantified and is subject to statistical verification. We assert that mobility, as measured by the flow of workers between a pair of type A and type B activities, will systematically decrease with greater difference in average skill levels between the two activities. Since we will later argue that skill barriers are subject to secondary reinforcement by race, class, and sex discrimination (and are often protected by the practice of "credentialism"), we cannot expect the statistical test to prove the causality postulated in our model, but it can at least establish its consistency with the facts.

Note that our argument does *not* imply its converse. High barriers *can* exist without skill differences. A group of workers might be able to strike a tough wage bargain and then successfully fight off outsiders attracted by the higher wage level. Yet once this situation persists, it is likely to bring about the cumulative upward surge of technology and skills characteristic of the positive feedback cycle.

In sum, the higher the wage and skill levels of an activity rise as a result of purely random deviations from the norm (or as a result of social mechanism such as racism and sexism), the lower mobility will become between this activity and other lower-skill, lower-wage activities. This lower mobility will in turn protect the higher wage and skill levels, and will increase the probability of the positive feedback cycle overcoming residual mobility and other spread effects.

The question of individual wage differentials. Individual wage differentials—a major concern of human capital theory—are by no means ruled out by our model. Secondary wage differentials between individuals, based on education and skill gradings, can and do occur within activities and within labor market segments. Yet we regard the *general* wage level of *large groups of workers* as the core phenomenon in a modern industrial market society, and *individual* differentials within these groups as a matter of secondary institutional elaboration.

This point of view is supported by the empirical finding (Bluestone, 1971) that in the lower occupational strata, *group* characteristics (class, race, sex) dominate the determination of wage levels, while *individual* characteristics (education, skills) become more dominant only in the numerically far less important upper occupational strata. We have therefore begun by interpreting the core phenomenon.

Yet secondary institutions are also important, because they serve to secure and protect the core institutions. Human capital theory provides us with the important insight that the prevailing institutions encourage workers to think of the education and skills they acquire as capital investments in themselves. Since the capitalist is worthy of his profit, workers come to view themselves implicitly as mini-capitalists who are entitled to the profit on their investment in the form of higher wages than other workers. This legitimates the core institution of profit while dividing the workers among themselves and weakening their hand in the wage bargain.

We will pursue the question of secondary wage differentials in a subsequent paper.

IV. Conclusion

In the present paper, which is the first part of a three-part study, we have interpreted segmentation as a process of divergent development. This process can be explained by positive feedback that connects technical change, labor productivity, and the money-wage bargain in the labor market. The emerging segments are prevented from coalescing by low mobility between them. Low mobility is endogenous to the system and results from divergent education, training, and skills associated with distinct labor market segments. Thus the mobility barriers are themselves maintained by positive feedback. Forces of negative feedback are present but are too weak to prevent segmentation.

The institutionalization of divergence. The dominance of positive feedback and the resulting tendencies for divergent development are inherent in the core institutions of a modern market society. In Part two of the study we show that these tendencies are further reinforced by clusters of secondary institutions which arise because segmentation is functional to the system. It forms part of a multilayered web of social control that protects the prevailing organization of the process of production. Production is organized by the profit motive. Segmentation protects profits against the wage pressure of workers, both at the workplace and at the social and political level, on the principle of divide and rule. This mode of control, however, leads to exploitation and social conflict which govern the long-term tendencies for change within the system.

The coherence of segmented labor markets. In the day-to-day operation of the labor market, divergent development acts as the counterpoint to the coherence of individual market segments. In the third part of the study we focus on the integrative processes that bring about this coherence.

Within individual labor market segments—but not between them—mobility is high and wages tend toward uniformity or regular secondary differentials. The individual segments themselves form a coherent overall market for labor power. Integration both within and between market segments is provided by the process and institutional setting of the wage bargain. The wage bargain depends on parameters that define a buyers' market or a sellers' market in labor of a given type. These parameters make up a complex signalling system which regulates the behavior of each market segment, interconnects different segments, and ties the labor marked as a whole into broader social and political decisions.

In sum, we perceive segmented labor markets not as an aberration within an otherwise harmonious economic and social system but as at least one of the normal modes of operation of a modern industrial market society. The real labor market as we find it is the outcome of tendencies for differentiation operating simultaneously with tendencies for integration. The outcome of these antithetical tendencies is strongly influenced by the way the labor market as a subsystem is linked into the institutions and processes of its broader economic and social environment. Yet tendencies for change in the broader economic and social system are brought about in part by the very conflicts inherent in the day-to-day operation of segmented labor markets.

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Fragments of A "Sociological" Theory of Wages*

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This paper represents an attempt to sketch some elements of a "sociological" theory of wages. I use the term "sociological" as it is generally used in economics as a short hand for other social science disciplines but without the pejorative connotations that economists sometimes attach to it. Such a theory of wages is implicit in models of labor market stratification which, by hinging upon nonwage factors as determinants of the allocation of labor, free the wage from its traditional role in economic theory and open the way for noneconomic determinants. Several economists in recent years have also alluded to "sociological factors" in a somewhat different context to explain rigidities in the income distribution or the wage structure [8,4]. But in none of the discussions which have come to my attention has the role of these averred sociological factors been explicitly developed.

I conceive of the problem as one of specifying "sociological" forces in such a way that one can understand how and when they will prevail in a relatively competitive market economy. I mean by such an economy one where most families have a strong desire to substantially increase their income levels and where most managers feel pressured to minimize cost. This is the view of economic motivation which underlies conventional models of wage determination. The record of such models in tracking the economy, particularly in recent years, does not exactly compel one to operate within this framework. But in the course of my own research, I have had a lot of discussions with workers and managers about labor market decisions, and the conventional view does seem to be a fairly accurate, albeit incomplete, picture of what emerges from their comments. Another important element in organizing the impressions of the labor market gathered in this way is the set of institutional models of wage determination developed by labor economists in the 1940's and 1950's [*e.g.*, 6, 7]. Indeed, as I will try to argue, the "sociological" and "institutional" forces are closely related; at root, perhaps, they are the same thing.

"Sociological" Forces

The key to an understanding of the role of "sociological" forces in wage determination lies, I believe, in an appreciation of the nature of

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on-the-job training and its significance in the development of job skills. The latter point is now, I think, generally accepted by labor economists of all persuasions, and need not be labored here.

The nature of the training process is less widely appreciated. My own research suggests that for blue collar workers, it occurs within informal social groups and may be understood in terms of what sociologists call "socialization," *i.e.* the adaptation of the individual to the norms and role patterns of the work group. It is literally socialization in that a good deal of what is required to perform effectively on-the-job and is involved in the improvement in productivity during the "training" period is the understanding of the norms of the group and of the requirements of the various roles which are played within it and conformity to the generalized norms and to the specialized requirements of the particular role or roles to which one is assigned. But, even when the training involves the acquisition of skills which can be distinguished independently of the social situation where they are displayed, the learning process involves the imitation by the new entrant of older inhabitants of the work place. Such imitation is a psychological phenomenon very similar to that through which the individual conforms to a social group. Learning by imitation, moreover, generally involves at least the acquiescence, and often the active participation, of the older members. Either of these is likely to be withheld unless the new entrant finds the kind of initial acceptance, and cements it through the kind of efforts at conformity to group norms, which are involved in socialization.

Groups of the kind in which such learning occurs have a tendency to develop a set of norms governing not only the way in which work is performed and individuals relate to each other in the work process but a wide variety of other features of the work place as well. Such norms appear to be essentially what economists and industrial relations specialists have generally referred to as custom. They form a kind of customary law analogous to that which prevailed in the feudal manors of medieval Europe [2, 3].

Space does not permit an elaborate discussion of the origins of custom. Its chief attribute, however, appears to be a dependence upon past practice. Customs tend to grow up around existing practice. The practice may intitally be dictated by economic considerations: or it may be imported into the work place from the larger community from which the labor force is drawn. But once it has been regularly repeated in a stable employment situation, people develop an independent attachment to it. In the eyes of the work group it acquires an ethical aura. Adherence to it tends to be viewed as a matter of right and wrong, and violations are seen as unfair and immoral. The morality of adherence to custom may co-exist with some other higher and conflicting morality. Thus, in the medieval period, custom was often in conflict with the precepts of the Church and yet custom frequently prevailed in courts of law and, one may infer, even more so in practice. In the modern work place, there is a dual allegiance to the morality of custom on the one hand, and the individualistic ethic of the market place which sanctions management's pursuit of economic efficiency and the individual's pursuit of his own welfare, on the other hand.

The moral character of custom permits the work group to punish violations through the imposition of sanctions which the moral code of the larger society proscribes and which the workers themselves would normally adjure as illegal and unethical. When directed against management, the available sanctions are legion. They range from petty individual sabotage to massive job actions. The vulnerability of society to attacks of this kind, particularly industrial sabotage, need hardly be emphasized today (e.g. 10). The cost of such attacks to a recalcitrant management are overwhelming. The costs to the individual who undertakes them depend almost completely upon the willingness of his fellow workers to deter such actions through group pressure and to cooperate with legal authorities. We are dealing here, in other words, with a range of weapons distinct from those invoked in the normal course of industrial relations. They are distinct because the extreme imbalance of costs makes it impossible to build them into a stable industrial relations system. For that reason also, there is no effective external deterrence. The real deterrence is in a set of restraints internal to each individual and associated with the underlying moral consensus upon which the society is founded. It is these restraints which custom, in providing an alternative moral code, relieves.

I have placed such heavy emphasis upon custom because among the rules which tend to be governed by it are those which determine wage rates. Although custom has never achieved a place in the formal analytical apparatus of economics, its role in wage determination has been recognized by virtually every student of the labor market from Adam Smith to J. R. Hicks. Its continuing influence today is suggested by the ethical phraseology which surrounds the wage setting process in the modern shop and appears in the vocabulary of management as well as labor.

In the medieval period, where the market forces were weaker, custom often determined the wage rate itself. In a modern economy, where the wage rate is subject to continuous revision, the precedents required to establish a customary fixed wage rate do not arise. The structure of wage rates, *i.e.* the relationship between wages on different jobs, is not, however, subject to such frequent revisions. It thus does tend to become customary, and it is that customary set of relative wage relationships which is what appears to be, at least on the micro economic level, the "sociological" determinant of the wage.

Thus, in sum, the environment in which on-the-job training can successfully occur is one in which a customary law tends to develop and prevail. Among the tenets of the law are a series of relationships among the wages of the members of the group and between the group members and other workers. These relationships generally establish a fixed structure of relative wages. They can, but ususally do not, govern the level of wages (*i.e.* the base upon which the structure is built) and the magnitude and timing of changes in the wage level. The structure is imposed upon individual management by the moral commitment of the work group to it and their willingness to undertake actions in its support which would otherwise be deterred by law and by a commitment to a higher morality and code of behavior. But the structure achieves its larger economic significance from the fact that the commitment to it is intrinsic in the process through which the supply of labor is generated and, hence, it is difficult to generate a set of competitive pressures which will undermine it.

Institutionalization

There is relatively little literature on the kind of shop custom in which we are arguing "sociological" wage relationships are embedded. There is, however, a much more extensive body of literature on institutionalized wage structures, embedded in collective bargaining contracts and the administered wage and salary structure of most large white collar organizations. In the limited space available here, it is impossible to develop the relationship between these two sources of rigidity in the wage structure, but I do believe that they are closely related and, at a certain level of analysis, one and the same thing. American trade union organizations are grounded on the shop level. They thus encompass within them the informal social groups in whose domain custom lies. Craft unions in the United States have been built up out of such informal groups. Industrial unions tended to be organized from the top down; but this has meant "with union organizers sent out from the international." The shop remains the basic unit of union organization even in national policies. The National Labor Relations Act, through its definition of the bargaining unit and its procedures for certification of union representation through majority rule within that unit, virtually mandates that this be the case, and collective bargaining agreements have thus tended to embody existing shop custom and supplement ad hoc group pressures with formal institutional sanctions.

The incorporation of the informal social group within a larger organization had also had certain consequences, however, for the evolution of custom. It has generally imposed requirements for certain kinds of consistencies among the customs of the units of the organization. And an important strand of trade union history involves the process of reconciling conflicting customs among interrelated organizational units. This process is very nicely documented by Lloyd Ulman [9] for craft unions where it was closely connected to the problem of the mobile craftsman, whose travel took him from his home locale to a variety of other jurisdictions. There is a strong parallel between efforts to resolve these conflicts and the process through which a national common law evolved in medieval Europe from a separate series of manorial customs [2]. The national unions, like the emergent European nation states, try variously to apply to each man the custom of his home locale, then the locale in which he is working, and finally for certain customs, are forced to develop a standard which supercedes local precedents. I think it can be argued that a similar process occurred within industrial unions, although it has not, so far as I know, been carefully documented. In both the craft and the industrial case, the forces driving toward some kind of national organization, and hence requiring a reconciliation between conflicting customs, are economic in character. It is less clear that economic forces dictate the kind of custom which ultimately emerges.

This brief discussion of institutionalization suggests two conclusions. First, that institutionalized rules are closely related to custom. Second, that the effect of building the informal social groups which generate custom into larger, more formal, institutions is to reconcile conflicts between customs and to make certain customs, at least, uniform throughout the economy.

Economic Considerations

There are several possible ways of examining the relationship between the customary wage structure and a structure derived from more conventional economic considerations. One of these is to use, as the point of comparison, the structure which would prevail in a perfectly competitive economic system. This does not, however, appear to be a very meaningful approach. We are asserting a wage structure, which despite its sociological and institutional foundations, is economically compelling. The economy cannot operate without its skilled labor force, and the skilled labor force will not let it operate independently of the wage structure to which it has a customary and moral commitment. The assertion is, in other words, that there can not *be* a perfectly competitive labor market in the sense that it is generally envisaged in theory.

An alternative approach is to examine the relationship between the customary wage structure and the competitive pressures generated by the economic system. As noted in the introductory comments, such pressures are as characteristic of the observations out of which this paper grows as the attachment to custom. Any attempt to model an economic system which generates such pressures immediately points to conflict with custom and such conflicts in the real world do occur. The interesting thing is that they do not occur more often and the question is why they do not. This is not a question which can be fully explored here. But the following observations appear appropriate.

The wage structure must perform two economic functions. It must insure that the training process occurs, and it must allocate trained workers effectively so that their scarce skills are utilized. In a competitive economy, it will have to perform these functions to survive. Most of our expectations about what kind of structure is required for the first of these functions, *i.e.* the training process, derive from Gary Becker [1] and are based upon the assumption that the training process carries a cost. Given that assumption and relatively weak assumptions about competitive pressure, the wage structure must adjust so as to distribute these costs between labor and management for there to be any training at all. The requisite wage structure thus allows relatively little scope for such outside factors as custom (although as Peter Doeringer and I [3] tried to show, there is more scope than in Becker's original model even under the assumption of "cost"). However, if training is basically a socialization process (or, simply, involves imitation), it is largely automatic, and its costs may be trivial. The critical function of the wage structure is then not to distribute the cost of training. Rather, it is to insure the variety of exposure to work situations in which the training for some jobs consists. This exposure requires certain patterns of labor mobility. Obviously, not all wage structures will be consistent with these patterns but the requirements for consistency are not those upon which we have previously focused. The range of consistent structures, moreover, is expanded by two considerations sometimes overlooked: a) In certain jobs, the requisite movement for "training" is forced by the limited duration of the job (the outstanding example is construction), and b) the socialization process through which training occurs and the workers acquire attachment to the customary wage structure will also tend to affect job preference in such a way as to make preferences for different jobs consistent with the requisite movement between them.

The tendency for the socialization process to affect preferences should also reduce the conflict between the customary wage structure and its second economic function, that of allocating scarce workers.

There is another, possibly more important, factor working to reduce that conflict, however, in the costless nature of the training process; if the training process is indeed costless, there is no particular reason to expect trained personnel to be scarce. They may generally be in excess supply, and, indeed, the prevalence of seniority and other devices for rationing scarce jobs suggests that this is indeed the case.

Still, even if trained workers were generally in excess supply, one must expect occasional labor shortages and in a dynamic economy such as ours, operating close to full employment, one would expect those shortages, however exceptional, to occur with some frequency. There would then be pressure to attract new sources of labor, not "trained" or fully socialized to the environment in which they were entering. The employment of such "new" workers would thus impose costs, which adjustments in the wage structure should be required to accommodate. Competition would also generate pressure to raise the relative wage of older workers now in short supply.

Here again, without wishing to deny that conflicts with a customary wage structure will never occur, it may be noted that they do tend to be reduced greatly by the underlying processes involved. When a flow of labor between two previously separate environments occurs, there should be a tendency for the environments themselves to evolve toward each other in such a way that the amount of adjustment required to move between them declines. To the extent that this is true, the cost of movement between two previously isolated jobs should decrease rapidly with the amount of movement, and the circumstances of costless training and permanent excess supply might be swiftly restored.[5]

Two additional, relatively obvious but nonetheless important points about competitive pressures on a customary wage structure can be made. First, such pressures will be reduced to the extent that the customary structure is the same across all firms in an industry. To derive from the idea of a customary wage structure the propositions about the constancy in the aggregate wage structure alluded to in the introduction requires some assumption about uniformity. One factor—but probably not the only one—tending toward such uniformity is, as the preceding discussion suggests, institutionalization. A tendency for workers and management to import a customary wage structure into new plants from other work situations would also work for uniformity. Second, economic pressure to change a fixed wage structure of the kind which we are describing will depend to some extent upon how much of that structure is contained within a single firm. When all of the jobs in the structure are represented within the firm, a change of any one wage will be deterred by the leverage which that change would exert upon the wages of the firm's other jobs. When each firm, however, has only one job, there is no deterrence of this kind and the firm should be more willing to respond to changes in economic conditions. (This is a point of particular relevance in analyzing the inflationary potential of the economy since if a response to economic conditions does not succeed in changing the wage structure and instead simply levers it upward, its inflationary impact is substantial.)

Finally, conflicts between a customary wage sturcture and competitive pressures may be resolved through adjustments in the customary wage norms. These norms are essentially little more than a reflection of past practice and if a new practice can be instituted and maintained, it should itself become the goverening norm. Even the most casual inspection suggests that many existing norms reflect some earlier market relationship. This relationship presumably dictated the practice, which subsequently become customary. There is obviously scope within the system for developing new norms in this way: ambiguities in existing norms can sometimes be exploited for this purpose; occasionally employers are able to wait out employee resistance or negotiate changes with employee representatives in a way that circumvents such resistance. Firms embodying older norms may be driven out of business by new enterprises without past practices that block a wage structure appropriate to market realities. If adjustments of this kind were frequent, however, the customary wage structure would be a minor "friction" in an otherwise competitive system: it might be useful to recognize for some purposes but would hardly command the attention I am devoting to it here. It certainly would not explain something so fundamental as the constancy of the income distribution. The logic of the argument we are developing here then is that it is these adjustments in custom which are the frictions (or marginal features) of a system whose basic properties are reflected in the other adjustment mechanisms.

Labor Market Strata

The theory of a customary wage structure which I have just described is not a generalized description of the wage setting process. It is characteristic of only one strata of the labor market: elsewhere I have termed that strata *the lower tier of the primary sector.*[5] It is characterized by regularity and continuity of employment. The jobs tend to involve a set of relatively specific skills in the learning of which schooling is un-important and training on the job critical. The employees tend to be what sociologists term *working class adults.* They are attached to a life style or subculture which places a premium upon stability and routine and is centered in an extended family unit the support of which is the primary function of work.

There are other segments of the labor market where the wage structure is unlikely to be governed by custom. In the secondary sector, for example, which is dominated by youth and by the "disadvantaged," turnover tends to be too rapid to permit the formation of the social groups in which custom is embedded, and even when such groups do manage to form, the essentially unskilled nature of the work reduces the employer's dependence upon them and their norms. Professional and managerial employments are also unlikely to generate a customary wage structure. The norms for these jobs tend to be internalized by individual workers; workers in these jobs have a greatly reduced commitment to the work group; general education plays a more important role than on the job training in the development of skills; and wages and salaries are generally private matters which employees are relatively guarded in discussing with each other.

An examination of wage setting patterns in these other strata would take us well beyond the allotted space and time. To use the theory as developed thus far to explain the aggregate phenomenon with which we started out, one has to make rather restrictive assumptions about these other patterns. To explain the constancy of the income distribution, for example, would require the assumption either that wages in the other strata were somehow parameters of the customary wage structure or that these other strata dominate the extremes of the income distribution, which when examined closely would turn out not to be as stable as the center portion. Neither assumption seems farfetched but neither have they been closely examined.

Conclusion

The title of this paper was chosen with some deliberation. But I am under no illusions about the ability of terms like "fragments" and "sociology" to cover the departure from the standards of rigor to which the economics profession has become accustomed. The justification for this departure must be found in the light it sheds upon important policy issues. One of the issues is that of the income distribution to which I alluded in the body of the paper. I think that it is appropriate to conclude with reference to a second such issue, that of wage inflation.

The kind of customary wage structure I have described is one with tremendous inflationary potential. Since relative wages are fixed, pressure at any point in the system (in the strata where custom prevails or in some other strata whose rates are parameters of the customary structure) exerts a leverage upon all wage rates. But it is also a system whose inflationary potential lends itself to a viable long run system of wage controls. Both economists and industrial relations specialists have tended to frown upon controls, particularly as a permanent policy; the latter because of the threat which the imposition of controls pose to industrial peace; the former because of the instability and inefficiency of a controlled wage system. Controls are presumed to produce allocative distortions which eventually undermine the control structure and in the meantime result in a loss of potential output. A system which follows the contours of the customary structure, however, should be open to neither of these traditional criticisms. Because it is in accord with the prevailing norms and values, it is a structure—possibly the only structure—which should induce workers to forgo the exercise of economic power. And since it embodies the structure which would prevail in any case, it is unlikely to be any more inefficient or unstable. Indeed the very concept of inefficiency as applied to wage controls seems to ignore the processes of labor market adjustment which allow customary wage relationships to survive at all.

Such a system of controls would be very different from any which have been tried, or for that matter seriously thought about. (With the possible exception of the present construction industry stabilization program in the United States). The understanding of the detailed customary relationships required to administer such a system may turn out to be too much to expect from ordinary men. But it does seem to me sufficiently promising to justify further research.

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DISCUSSION

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In my remarks I will focus on the papers by Piore and Reich, Gordon, and Edwards (RGE).

Both Piore and RGE seem to be in basic agreement on the objective reality of labor segmentation or stratification, at least in the case of the lower tier of the primary sector. They seem to have a disagreement about the causes and effects of stratification and about what should be done about it.

Piore observes that the historical origin of stratification might possibly be rooted in some economic need, but concentrates on the way in which workers defend and transmit the existing job and wage structure over time by the use of those customs and traditions which are learned in the process of job training and enforced by the informal pressure of group norms. RGE are more concerned with the historical forces which created stratification. They emphasize the proletarianization of the work force and the intensity of class struggle which developed in the late 19th and early 20th century and the recognition on the part of the capitalist class of a potential threat to its economic, political, and social hegemony. This recognition led the capitalist class, both by instinct and design, to adopt a strategy that was at the same time defensive and offensive. It was defensive in that it yielded to labor pressure by increasing labor income, at least in the short run. It was offensive in that it directed this increased income into those 'fringe' forms referred to by RGE as "welfare capitalism," thus intensifying the worker's dependence on a single firm and industry and, more importantly, dividing him from his fellow workers in other firms, industries or job categories. This strategy thus destroyed the link between the objective protelarianization of the working class and the subjective development of class consciousness.

RGE assume that capitalists as a class consciously collaborated in order to implement their "divide and conquer" strategy. While this description may be historically accurate it is not an essential component in the argument that capital stratified labor in pursuit of its own interests. A profit maximizing strategy for an individual firm might well entail the division of wages into unequal categories according to some reasonable skill criteria or even at random. This would have the effect of increasing incentives for those workers at the lower levels to advance and for those at the upper levels to protect their status, thus increasing productivity and, in the process, dividing the work force. Such practices could easily spread rapidly even in the absence of collaboration or, for that matter, an articulated sense of the larger social effects.

The theoretical paradigms of Piore and RGE do not seem to be incompatible. While RGE obviously do not view capital or management in the relatively passive role assigned to them by Piore, there is no fundamental contradiction between their position and Piore's notion that labor provides the mechanism by which the wage structure is reproduced. The conception of labor as the proximate cause of labor stratification and capital, under the pressure of labor militancy, as the ultimate architect of the process of stratification seems to be generally consistent with both papers although not necessarily acceptable to both authors.

Piore argues that his sociological explanation of the causes and effects of stratification applies only to the lower tier of the primary sector and not to managerial and professional jobs. But surely the hierarchy and relative wage structure in the managerial sector of the modern corporation are not determined by the market forces of supply and demand. The extension of the idea of wage setting and job stratification by custom and tradition, i.e., some sociological mechanism, to managerial and professional categories would raise the broader question of how all the privileged classes of society—capitalists, managers, professionals, and primary workers—protect and defend these privileges from classes of lesser status and from those groups which are effectively without privilege, i.e., secondary workers in particular and women, blacks, and youth in general. Both the purposes and functions of the primary labor market and the relative constancy of the income distribution over its entire range can only be fully understood within the context of a more general theory of the role of classes in society.

Piore does broaden the context of the discussion when he presents an extremely interesting theory of a hierarchy of conflicting moralities, norms and principles of legitimization in society. He sees in the modern workplace a "dual allegiance" on the part of workers to their morality of custom and tradition and also to the "individualistic ethic of the market place which sanctions managements' pursuit of economic efficiency and the individual's pursuit of his own income." While Piore may intend to limit this concept to the set of shop floor work customs and the relative wage and job structure, it could easily serve as a description of the broader concept of working class consciousness embedded in a dominant capitalist society and ideology. Seen as such, it provides a keen insight into the Marxist notion of the class nature of morality, ethics, and legitimacy. Piore views both 'society' and management as extremely vulnerable to attacks resulting from the workers' perception that their morality has been violated (presumably by 'society' or management) and is concerned with society's ability to defend itself. RGE seem to think that society-management has already reacted to the 'threat' of working class consciousness by arranging the stratification of labor into small groups with minimal inter-group association. They see stratification not only as one of the things legitimized by labor but also as the main impediment to a united and powerful working class consciousness. Whichever interpretation one prefers, it seems to me that Piore has put his finger on an important and neglected dimension of the theory of labor stratification and social class structure.

Another interesting aspect of Piore's paper is its implications for macroeconomic theory and policy. He argues that since job training is basically a socialization process its costs may be negligible. Therefore, the economy may be characterized by a "permanent excess supply" of skilled labor occasionally interrupted by labor shortages associated with full employment. The effect of full employment is to raise the wages of skilled workers (and perhaps labor's share of total income) and to exert pressure on the labor strata to move closer together in order to minimize the cost of moving labor not fully socialized to those strata in short supply. These pressures presumably filter through the hierarchy of labor strata leading to a general reduction of the divisions within the working class. Both of these effects lead one to conclude that a policy of *sustained* full employment would be contrary to the interests of capital. Further, they may aid in the development of a theory of political economy which can explain why we rarely achieve, and perhaps do not pursue, sustained periods of full employment except during wartime.

Finally, let us examine the political implications of the papers. RGE are very explicit in this regard. They would like to overcome "the barriers to united anti-capitalist opposition among workers." Piore derives explicit political implications only when discussing the problem of wage inflation. He prescribes a policy of wage controls which mirrors the existing wage structure. Indeed, he argues, the current structure is possibly the only structure which, when embedded in a wage control policy, "will induce workers to forego the exercise of economic power." This seems to be the consistent political theme in Piore's paper—how to protect a vulnerable society and a vulnerable management from the exercise of labors' group morality and economic power.

In summary, I would stress that the two papers are quite different and yet complementary. The main difference is that while Piore sees "working class adults" associating formally through unions and informally on the shop floor or perhaps in the tavern to generate sociological pressure for labor market segmentation, RGE envision capitalist class adults meeting formally in the board room or at the trade association or perhaps informally at the club to attempt through labor market segmentation to divide and weaken working class resistance to capitalist hegemony. They are probably both right.

DISCUSSION

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Perhaps it is an indication of the rapidity with which the field is developing that the title of this session is already obsolete. We are now no longer solely concerned with the dichotomy between the primary and secondary labor markets which was originally identified in the dual labor market analysis. Other ways in which the labor force is segmented, which are not necessarily coincident with the primary and secondary sectors, also pose problems for neoclassical analysis. Moreover, the view is growing that an absence of consideration of the institutions of the labor market considerably hampers economists in their efforts to analyze even those issues which have long been regarded as within the purview of the discipline. The paper by Reich, Gordon and Edwards is primarily concerned with segmentation, while Piore attempts to develop a "sociological" theory of wages that sheds light on more traditional questions. They have in common a commendable effort to widen the scope of economic analysis.

Reich, Gordon and Edwards argue that labor market segmentation is endogenous to the functioning of American Capitalism. They have attempted to substantiate this view by an enlightening historical analysis of the origins of segmentation. In my opinion, their analysis, as presented in this brief paper, suffers from an incomplete specification of the objectives of the actors in the system. They have not closely examined the role of workers and unions in intensifying segmentation. While it may be argued, as the authors do, that segmentation is contrary to the class interests of workers, it has clearly benefited some groups. It seems to me that the dynamics of this situation must be explored if we are to understand the process that has produced segmentation and what perpetuates it.

As regards employers, while the traditional views of employer motivation may be inadequate in explaining segmentation, it is not clear to me that the alternative view presented by the authors is not also oversimplified. Presumably, if employers have many objectives, there might at times be a conflict between the attainment of other goals and the postulated desire to control the work force through "divide and rule" tactics. How would these conflicts be resolved? Alternatively, segmentation might arise as an unintended, albeit advantageous, byproduct of the pursuit of other objectives. In that case, non-Capitalist systems, also pursuing these goals, would also tend to generate segmentation. Thus, for example, bureaucratization appears to be a universal mode of organization in advanced industrial societies.

Without a theory of worker and employer behavior, it is difficult to obtain exactly what the authors strive for: an understanding of segmentation as a *dynamic* process. Thus, we are told that segmentation exists because it was and is functional to the system, but it is not clear that other arrangements might not become functional in the future. Nor does their analysis as presently formulated enable us to identify the forces that might tend to increase or diminish certain types of segmentation—for example, that by race or sex—within the Capitalist system.

As compared to Reich, Gordon and Edwards, Piore has concentrated more heavily on the motivations of the actors in the system. Since his model has been developed for what he has termed the "lower tier of the primary sector," persuasive as his arguments are for that sector, it is difficult at present to gauge its applicability to the aggregate problems he poses. Leaving that issue aside, it is not entirely clear to me why the postulated fixity of relative wage rates precludes non-inflationary forms of adjustment to pressures on the system. For example, shortages might be resolved by tapping new sources of labor supply. In the case of predominantly white, male jobs, equally qualified women or minority workers might be available at the prevailing occupational wage rate. In other instances, hiring standards might be changed with little effect on productivity.

I was also concerned with the implicit priority given the goal of combatting inflation in Piore's policy prescription. To advocate that the government intervene in such a manner as to preserve customary wage relationships would seem to put the force of government behind the present structure of wage differentials. This would appear to place the goal of stable prices above that of increasing equity in the distribution of income. Moreover, since women and, to a lesser extent, blacks tend to be segregated in a particular subset of predominantly female and predominantly black occupations, this policy might also have the effect of further reinforcing wage differentials by sex and race. Hopefully, our study of the sociological aspects of wage determination can yield insights on how we may intervene to reduce prevailing inequities in the labor market rather than to perpetuate them.

DISCUSSION

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Although the explanation of labor market discontinuity differs in each case, the authors of these papers share a common premise that labor market failures and resultant distributions of income and employment derive from factors endogenous to the social-economic system. This perspective, of course, reflects the continuing receptivity of institutional economics to non-traditional and non-universalistic concepts and modes of analysis. Few explicit hypotheses are offered in these papers, but there are factual premises involving matters of evidence which may have been overlooked or which can be interpreted differently. My discussion is concerned with three such aspects: (1) the origins, development and function of wage structure as outlined by Professor Piore; (2) the tendencies and incidence of stratification in the labor market; and (3) differential modes of worker motivation and labor market behavior in their relationship to poverty and underemployment.

1. Piore's sociological explanation of wage structure illuminates an important aspect of his earlier studies of the internal labor market, but it may have two weaknesses. Firstly, the functional connection between on-the-job training as a process of socialization and wage structure in such markets is not as well established as one could wish. It is simply asserted as an historical or sociological datum that a customary set of relative wage relationships gets established. But it is reasonable to ask: Why should this socialization process occur in the first place, and specifically why should the work group provide training?

Piore's answer can be improved upon if we recall his own comment on the relationship between customary and market-determined wage structures. There he suggests that a perfectly competitive market could not be established because the economy cannot function without skilled labor and skilled labor has a moral commitment to its customary relative wage. This suggests to me that insofar as wages are concerned custom may have two related primary functions: to protect skill differentials through control over the quantity of labor supplied by the work force and to share the gains of increased productivity among the members of the group. This process of socialization, moreover, is most likely where for technical or organizational reasons there is a substantial degree of specialization of labor, i.e., in the "lower tier of the primary sector." Training viewed as socialization is largely defensive and may primarily involve indoctrination in work group norms in a cluster of related jobs rather than broad exposure to the technical idiosyncracies of various jobs, as Piore states. In the absence of such socialization and group consensus about production norms, by scientific management or human engineering techniques employers could extract an ever-increasing supply of labor to the point where it would be worthwhile to redesign jobs, install new processes and equipment, etc. at the expense of skilled workers.

If this alternative interpretation is correct, moreover, it is unnecessary to argue that on-the-job training is costless. Certainly if workers conform to group-determined production norms, unit labor costs will be higher than in the absence of such norms even without employer outlays for training.

Some bits of historical and contemporary evidence may support this alternative view of custom and the function of internal wage structures, at least in manufacturing and other mechanized industries. For example, many of the mass-production industries were organized or prepared for organization by skilled workers from within. I do not believe that this pattern of unionization was completely accidental. Studies of grievances over changes in production standards show that worker concern turns mainly on questions of equity in pay relationships and especially the degree to which workers can capture the gains of the improvements in methods and processes which often generate such grievances. As long ago suggested by George Barnett and, later, Sumner Slichter,[1] one method of worker control over the rate of technological change and its impact on skill is to negotiate new wage rates (or production standards) that make the introduction of new machinery and methods costly to employers.

With respect to the linkage Professor Piore makes between custom and institutionalization, historical evidence also conflicts with his argument. For if it were true that the function of institutionalization is to find a reduction in wage dispersion with the increase in institutionalized wage setting. Most studies of occupational wage structure, however, have concluded that the most of the narrowing of that structure in American industry took place prior to the rapid spread of unionism in national market industries and that the subsequent role of unionism has been minor. Contrary cases, such as the postwar Cooperative Wage Study in the basic steel industry, because of their rarity, may only strengthen the point.

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[1] George E. Barnett, *Chapters on Machinery and Labor* (Southern Illinois University Press, 1969) pp. 148–151; Sumner H. Slichter, *Union Policies and Industrial Management* (Brookings, 1941) pp. 265–267.

2. In its early formulation the dual labor market thesis offered little to explain the evolution of stratified markets and the forces perpetuating them. Two arguments are presented here: stratification as an employer defense against worker solidarity and uneven or divergent industrial development. I have doubts or difficulties with both theses, though more so with the former.

The difficulty with the "conscious effort" thesis is that too little credit is given to historical and ideological propensities in the American labor force. The Knights of Labor, which was the dominant organizational development in the period just prior to that identified by Reich, Gordon and Edwards, probably was the most proletarianized of any significant labor organization in the history of American trade unionism. Yet it failed largely because of its own "internal contradictions," specifically the failure to recognize the job consciousness and desire for craft autonomy of American workers given expression by the AFL. The reading of the National Civic Federation also seems similarly one-sided in failing to notice that, far from resisting employer domination, John Mitchell and the AFL actively sought to convince employers that unionism and collective bargaining could be good for American business, that indeed labor and employers shared a common interest in the growth of industrial capitalism.

3. Divergent or uneven development as the causal factor in labor market segmentation is a thesis deserving much more extended discussion than is permitted here. In their relatively sophisticated statement, Vietorisz and Harrison provide a start toward a logically cohesive and realistic theory of the labor market, and I for one look forward to the remaining parts of their study. Nevertheless, a few caveats and doubts seem in order. If the system responds to random shocks, such as autonomous changes in business, government or household expenditure or the technological application of new scientific discoveries, we should expect long-term shifts in the rank-ordering of industries and occupational groups in terms of absolute wage levels. By and large, however, there is little evidence of such shifts, despite marked changes in the distribution of employment. A more worrisome matter is the argument that skill differences between activities tend to become self-perpetuating barriers to mobility. If the bulk of investment in human capital is in the form of on-the-job training, then the ability and willingness of workers to invest in themselves should not be limited by differences in skill and earnings between two activities. The opportunity cost of such investment should be virtually zero. On the other hand, it may be that social investment in education (if that is the critical mobility factor) has been unequally distributed among groups, in which case the

argument that skill barriers to mobility are endogenous is considerably weakened.

Some recent studies of labor mobility cast substantial doubt on the predictions of stratification theory with respect to differences in workers' labor market behavior and the social and demographic incidence of underemployment and low incomes. A recent study of postwar trends in manufacturing quit rates indicates that interindustry differences in relative earnings have been increasing in importance as a determinant of quit rates, while a measure of worker interest in job security has been diminishing.[2] Most surprising, in view of the belief that women are an important constituent in the secondary labor market, is the emergence after 1965 of a *negative* relationship between the proportion of women employed and the industry quit rate, which, of course, suggests growing commitment and stability in the female labor force. In the same vein, the Ohio State longitudinal study found that among males ages 14–24 in 1966 one-year gains in labor force participation were relatively larger for blacks than for whites.[3]

Another recent study, in addition to an excellent review of the extant literature, provides some direct evidence on the mobility of low income workers in the internal labor market.[4] Steinberg, using the Social Security Continuous Work History Sample studied the mobility of low-income workers over the period 1965–70, with breakdowns by age, sex and race in metropolitan New York City and in a national sample of such workers. In contrast with the premises of the dual labor market thesis are the following: more than half of the low-income workers were employed by the same employer in the two years; tenure in the firm was higher, but only slightly, for white males and females than for their black counterparts; in the national sample female attachment to firm and to industry was higher than for males, in both races, but black male attachment to the firm was greater than white male attachment. Steinberg also found the earnings progression (a rough measure of occupational advancement and mobility), as measured by an increase of at least two $1000-class intervals over the five-year period, depended more on sex than on race and was roughly independent of whether or not individuals remained attached to firm or industry.

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[2] P. A. Armknecht and J. F. Early, "Quits in Manufacturing: A Study of Their Causes," *Monthly Labor Review*, November 1972, pp. 31–37.

[3] Frederick A. Zeller, John P. Shea, Andrew I. Kohen, and Jack A. Meyer, *Career Thresholds* (Center for Human Resource Research, The Ohio State University, October 1970) pp. 14–16.

[4] Edward Steinberg, "Research on Upward Mobility in the Internal Labor Market," *Six Month Report, Training Incentive Payments Program* (The Institute of Public Administration, July 1972).

In summary I do not find the case for an endogenously-oriented explanation of income distribution and the incidence of unemployment and underemployment completely convincing. Read from the viewpoint of a more eclectic institutionalism, historical and contemporary evidence suggest the need for further study of the underlying premises, especially with regard to the ideological tendencies and behavior of the American labor force. I am not optimistic that the paradox of poverty in the midst of abundance will soon be resolved as a practical matter, but I am skeptical that it will require major structural changes to the degree implied in these papers.

X. REPORT OF THE NATIONAL COMMISSION ON STATE WORKMEN'S COMPENSATION LAWS

Introduction

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A. PRELUDE—INTRODUCTION

Workmen's Compensation in the United States has been the hard hat of social insurance. The first modern income maintenance program, it is entrenched in every jurisdiction, often supported and protected—and sometimes heavily influenced—by powerful interest groups—insurance companies, employer associations and—I would guess—less frequently by organized labor (which bears additional comment). While speculation and argumentation about manpower planning and training, guaranteed income and N.I.T., and health care captivated the academy, this massive program, annually involving $5 billion in payroll costs, over $2 billion in income maintenance, and more than $1 billion in medical costs, and retraining and rehabilitation has gone almost unnoticed. The academic experts on the program could travel together in a Volkswagen. We dare not quarrel because should we fall out we would have no one to talk shop with.

And this is a great shame. The program itself is of great practical importance and thus deserves more attention. Practitioners, with their day by day crises of coping cannot be expected to analyze the design and efficacy of their program let alone ready it for change. And workmen's compensation presents just about every problem encountered by income maintenance, medical care, retraining and rehabilitation programs—and offers sixty years of experience in almost as many jurisdictions.

Adequacy of benefits versus incentive to work, absolute but limited liability versus court suit based on negligence, free choice versus prescribed physicians, closed versus open physician panels, private versus public versus self insurance, experience rating versus community rating and, in the words of the book ads, "much more"—all are to be found in workmen's compensation with an actual work history to be studied. But the studies have been comparatively few, the critical literature sparse.

But complaints about the programs have not been lacking. Substantial groups, some in high hazard occupations, do not enjoy coverage.

Despite the employer's absolute liability and compulsory insurance, delays in compensation payments are common and litigation frequent. Rehabilitation has been an uncertain and sometime thing. Most obviously, payments have been low and lagged more and more behind wage rates due to overriding maxima.

These complaints led Senator Javits to propose an amendment to the OSHA legislation to establish the National Commission on State Workmen's Compensation Laws to inquire into the adequacy and fairness of the state programs and their proper relations with other disability programs.

The fifteen members were to be drawn from members of state boards, representatives of insurance, business, labor, medicine, educators with expertise in the field, and representatives of the general public, plus representatives from Commerce and HEW. Although not assured places, five lawyers were aboard when the Commission set sail.

The Commission was given the impossible assignment of making its "comprehensive study" by the end of July 31, 1972, less than a year after it actually began operations.

The Report is a remarkable accomplishment. Clearly the Commission had insufficient time to launch, let alone accomplish, the research its broad charter required. By great effort and the drive and organizational ability of Chairman John Burton and Executive Secretary Peter Barth, it assembled a considerable amount of relevant data (much of it yet to emerge in the soon-to-be published studies).

The Report reflects the same seriousness and organizational talent of its leaders. It also reflects the strong influence of the groups with the greatest financial stakes in the state programs. It will, I predict, have a considerable impact upon state workmen's compensation for some time.

B. Postlude—Commentary

The Report concentrates on the short run measures required to ameliorate the most glaring shortcomings of workmen's compensation. It surely will have some influence. Some private carriers appear to have learned something from the Medicare fight—to wit, reform cannot be resisted effectively merely by vigorous advocacy of the status quo. But the proposals fall short, in my judgment, of a credible threat of effective federal action adequate to propel low-wage low-benefit jurisdictions into substantial adherence to the recommended standards.

The report does not seriously address itself to the justification for the continued operation of workmen's compensation as a separate system. Nowhere does it address head on the problem that an appallingly small percentage of the premiums paid are paid out as benefits. The Report does purport to provide an "Evaluation of the Three Basic Methods of Insurance" (pp. 112–113). But this must be characterized as simply an apologia for the discrepancy between premiums and benefits paid.

Social Security Bulletin reports for many years have shown that roughly only one half of premiums paid to private carriers show up as workmen's compensation benefits. The Report claims that the charge that "there is a 40 percent loading factor built into the rates" overstates the facts. Allowing for experience rating (which, I would point out, is not available to small employers, which in this industry means those with 300 or under) the Report claims that the proper private insurance benefit ratio is 0.7. So—non-benefit portions of the private insurance premium amount to 30%. Even reduced another 3% for taxes, is a social insurance program with non-benefit costs of 27% justifiable? The Report simply avoids the issue. (In my judgment, such non-benefit costs are prohibitively expensive.)

It thereby finesses one compelling reason for considering merging the workmen's compensation functions into other more comprehensive lower cost programs, such as Social Security's disability program and private health insurance, both with non-benefits costs reportedly 5% and averaging 10% respectively.

The Report's response to the Commission's assignment to consider workmen's compensations "relationship" with OASDI and other public and private insurance programs must be judged inadequate and possibly disingenuous. The alternatives to W.C. that it poses are: (1) "Damage suits" and (2) "Disassemble Workmen's Compensation and Assign the Components to Other Programs" (pp. 119–120). Earlier in purportedly discussing "Relationship of Permanent Total Benefits to Other Programs," the Report describes OADHI as "the most important additional public benefit" program, completely disregarding the enormous veterans program which pays more disabled persons. (The Commission knows a sacred cow when it sees one.) Oddly it sees objectionable duplication only where the private insurance industry has seen it—with DI, despite the fact that the DI offset adversely affects only the poorest disabled with the largest families. Arguably the statutory charge did not include veterans benefits; but one can hardly discuss DI without considering and comparing veterans benefits if the job is to be fair and complete.

Disappointingly, the Report recommends gearing cash benefits to a fixed percentage of pre-disability earnings—initially 66⅔ of the gross wage increasing (perhaps) to at least 80% of the *spendable* wage. Similar maxima are to apply to survivors. Admittedly these exceed what is possible in most states under present overriding maxima.

But one would expect some consideration by a study commission of the special needs of disabled persons and families that have lost a wage earner. In both situations, the imputed income for the disabled or dead person's domestic services constitute real losses, real reductions in the individual's and family's standard of living. And the disabled often require facilities and services, including personal attendance, that have no counterpart in their pre-impairment budgets. (It would be interesting to learn how many of these needs are exported to other programs, such as veterans hospitals for non-service-connected disablement, so that the public bears the burden, possibly a greater burden than meeting the need directly, and bears it in a less socially satisfactory way.) The Commission treatment is regrettably unrealistic.

I do not suggest that lawyers in workmen's compensation serve a very useful social purpose, but the flaw is in the design of the law, which bristles with questions inviting litigation. Exhortation to lawyers will not cure the problem. The invitation must be withdrawn by removing the questions of coverage and detaching the right to medical treatment from work-causation.

An index of the grave shortcomings of Workmen's Compensation today is the inadequacy of many of the Commission's recommendations, for I think the Commission believed that it went as far as it could without losing its constituency.

But the Commission shed little light on where workmen's compensation fits in an overly complicated non-system of income maintenance, medical care and manpower training. The disabled deserve better; the country requires a more searching inquiry.

A Summary of the Report of the National Commission on State Workmen's Compensation Laws

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Workmen's compensation provides cash benefits, medical care, and rehabilitation services for workers who suffer work-related injuries and diseases. Each State has its own program, and there are Federal programs for Federal employeees and a limited number of private sector workers. About 85 percent of the labor force is covered and 5 million claims are paid annually. In 1971, the program cost employers $5.2 billion and provided cash and medical benefits of $3.5 billion.

Workmen's compensation was established some fifty years ago in most states. American's first social insurance program was heralded as a superior way to deal with the problem of work-related accidents. Unfortunately, the promise was not matched by performance. One recent manisfestation of concern was the establishment by Congress of the National Commission on State Workmen's Compensation Laws.

The Commission was instructed to "undertake a comprehensive study and evaluation of State Workmen's Compensation Laws in order to determine if such laws provide an adequate, prompt, and equitable system of compensation." The Act required that a final report[1] be transmitted by the Commission to the President and to the Congress by July 31, 1972.

I. Commission Activities

The President appointed 15 members of the Commission in June of 1971, representing various interest groups. In addition, the Act designated three members of the President's cabinet as Commissioners.

The Commission had an active year. Eleven meetings were held with, on the average, 17 Commissioners in attendance. In addition, the Commission held nine public hearings and sponsored a number of surveys and research studies.[2] A full-time staff of 30 employees assisted the Commission.

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[1] *The Report of the National Commission on State Workmen's Compensation Laws* can be obtained from the Government Printing Office.

We carefully considered the views presented at our hearings and by our staff and contractors, and reached general agreement about the potential role and actual record of workmen's compensation. There are, to be sure, three Commissioners who filed Supplementary Statements (which is our euphemism for dissents). But, the disagreements are limited to a few areas, and the *Report* is essentially unanimous.

II. A Summary of Commission's Findings and Recommendations

We concluded there are five objectives for a modern workmen's compensation program. These objectives were used to evaluate the present program and to develop our recommendations for improvements.

(1) BROAD COVERAGE OF EMPLOYEES AND WORK-RELATED INJURIES AND DISEASES

Although the percentage of employees covered by workmen's compensation is increasing, State and Federal programs now reach only about 85 percent of all employees. We concluded this coverage is inadequate. Coverage is also inequitable because of the wide variations among the states in the proportion of their workers protected by workmen's compensation. Thirteen states cover more than 85 percent of their workers, but 15 cover less than 70 percent. Inequity also results because the employees not covered usually are those most in need of protection: the low-wage workers, such as farm help, domestics, casual worker and employees of small firms.

In order to remedy these deficiencies, our general recommendation is that workmen's compensation be extended to most employees now excluded and that coverage be mandatory. Our specific recommendations include the adoption of compulsory rather than elective laws, a provision still found in more than a third of the states. We also recommend that employers not be exempted from workmen's compensation because of the number of their employees; almost half of the states still have such numerical exemptions. We also recommended that certain occupations which often are exempted from coverage be brought within the protection of workmen's compensation. We have, for example, recommended full coverage of government employees, and have also recommended that by 1975 that all farm workers and most casual and domestic workers be covered.

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[2] Several will be published by the Government Printing Office, including a *Compendium on Workmen's Compensation*, a comprehensive review of the issues and information concerning workmen's compensation, and a series of *Supplemental Studies*, which examine selected issues in detail.

Concerning coverage of injuries and diseases, most states are doing an adequate job. The most serious problem appears to be the failure in a few states to provide full coverage of work-related diseases, and we recommended such coverage.

(2) SUBSTANTIAL PROTECTION AGAINST INTERRUPTION OF INCOME

We concluded that, in general, workmen's compensation programs provide cash benefits which are inadequate. In most states, the most a beneficiary may receive, "the maximum weekly benefit," is less than the poverty level for a family of four ($79.56 a week for a nonfarm family of four in 1971). Moreover, many states limit the duration or the total amount of cash payments.

Payments are inequitable as well as inadequate. Benefits differ widely from State to State. Within States, high-wage workers, if disabled, receive a smaller proportion of their lost earnings than do low-wage earners because they are limited by the ceiling of the maximum weekly benefits.

We made a number of recommendations which would alleviate the present deficiencies in cash benefits.

Temporary total disability benefits. We recommended that, subject to the State's maximum weekly benefit, temporary total disability benefits be at least two-thirds of the worker's gross weekly wage.[3] A majority of States now meet this traditional two-thirds standard.

Another traditional standard for temporary total disability benefits is that the maximum weekly benefit should be at least 66⅔ percent of the average weekly wage in the State. The failure of the States to meet this standard is one of the major failings of workmen's compensation, and the record over time provides one example where workmen's compensation has deteriorated. In 1940, 38 States met the standard; in 1972, only 10.

The standard is, in any case, too low. A maximum of two-thirds of the State's average wage, coupled with a provision that purports to provide disabled workers at least two-thirds of their individual wages, means that almost half of all disabled workers—those who earn more than the State's average wage—receive less than two-thirds of their lost pay. We felt there was no adequate reason why workmen's compensation should penalize high income workers in the event they are disabled. We therefore recommended that the maximum weekly benefit should be at least 66⅔ percent of the State's average weekly wage by 1973, at least 100 percent of the State's average weekly wage by 1975, and that the maximum should continue to be increased until by 1981 the maximum is at least 200 percent of the State's average weekly wage.

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[3] After a transitional period, we recommended that a worker's weekly benefit be at least 80 percent of his spendable weekly earnings, rather than two-thirds of his gross weekly wage.

Permanent total disability benefits. Our recommendations for maximum weekly benefits and the proportion of wages to be replaced are identical with our recommendations for temporary total disability.

The main issue for permanent total disability benefits concern the total sum allowed and the duration of payments. Although there is wide agreement that payments for permanent total disability should be paid for life, we found that 19 States in 1972 failed to meet that standard. In 15 States, duration of payments was limited to 10 years or less and in 11 States the gross sum payable was less than $25,000. We recommended that permanent total benefits be paid for the duration of the worker's disability without limitation as to dollar amount or time.

We also recommended that our permanent total disability benefits proposals be applicable only to those workers who actually experience a prolonged loss of wages because of a work-related impairment. A worker should not receive permanent total benefits merely because he is unable to return to his previous job.

Death benefits. Our recommendations for maximum weekly benefits and the proportion of wages to be replaced are identical with our recommendations for temporary total disability.

A major deficiency of present workmen's compensation programs is that death benefits are arbitrarily limited in duration or total dollar amount in more than two-thirds of the States. We found this practice indefensible, and recommended that benefits in death cases be paid to a widow or widower for life or until remarriage.

Permanent partial disability benefits. The issues arising from benefits for permanent partial disability are critical to the future of workmen's compensation. Unfortunately, the critical need for corrective action is matched by the elusiveness of the proper remedy, and we concluded there was a serious danger that premature or insufficiently detailed recommendations might only worsen the present problems. These problems include the wide variation from State to State in the ratio of permanent partial benefits to total benefits, and the apparent tendency in some States for the payment of disproportionately large benefits for minor permanent partial disabilities. We felt these apparent inconsistencies and deficiencies could not be adequately examined in the time available to us, and urged the immediate commencement of a separate study of permanent partial benefits.

(3) Provision of Sufficient Medical Care and Rehabilitation Services

A proper medical care and rehabilitation program has three components: definitive medical care; vocational counseling and job retraining; and the worker's actual return to productive employment.

The record of delivering such services varies. Provision of medical services is reasonably good but, with only a few exceptions, the performance of physical restoration is less successful. Vocation guidance and instruction services are spotty and placement services for rehabilitated workers are generally inadequate.

The considerable variation in the performance of the States may be explained in part by the lack of appreciation that all three functions of medical care and rehabilitation are important and inter-related. A substantial effort is needed to provide a co-ordinated program of aid to the worker as soon as a serious work-related impairment occurs. This will require each workmen's compensation agency to establish a medical rehabilitation division, with authority to effectively supervise medical care and rehabilitation services.

Our other recommendations for medical care and rehabilitation include the elimination of any statutory limits on the length of time or dollar amount for medical care or physical rehabilitation services. These limits still exist in 15 States.

(4) Encouragement of Safety

A stimulus to safety is built into the pricing mechanism for workmen's compensation insurance, since employers with adverse accident records are charged higher insurance premiums. However, the spur to safety from experience-rating is restricted because 80 percent of all employers are too small to be eligible under present regulations. We therefore recommended that the experience rating principle be extended to a larger proportion of all employers.

(5) An Effective System for Delivery of Benefits and Services

The real test of workmen's compensation is whether the program can deliver the benefits and services it purports to provide.

Originally it was hoped that workmen's compensation would be self-administering; that employees would protect their interests without need for legal counsel or other assistance. It was assumed the no-fault concept and the statutory prescription of benefits would reduce the need for litigation.

The hope that the program would be self-administering was optimistic. Workmen's compensation claims and statutes are, in practice, much more complex than anticipated. Few employees without assistance are able to effectively negotiate with representatives of employers or insurers.

In most states, employee protection has been provided by an active plaintiff's bar. Claimant's counsel have contributed to the performance of the system to the degree they have protected employees' rights. But, the participation of attorneys has not been without costs. An obvious cost in almost every State is claimant's attorneys fees, which are deducted from the awards of the workers.

There are less obvious costs of litigation which may have an even more serious adverse impact. These costs include delays and uncertainties resulting from legalistic jousting over means of determining benefits, as well as the immeasurable cost of interference with rehabilitation of the disabled.

I do not want to suggest that plaintiffs' attorneys are unnecessary in a well functioning workmen's compensation program. But, surely the extent of legal involvement found in many States is unwarranted. And, there is a better way to provide protection to injured workers, who simply cannot be left on their own to deal with employers and insurance carriers.

The alternative to excessive litigation is an active workmen's compensation agency which takes the initiative in protecting injured workers. We have made 22 specific recommendations for the operation of a State Workmen's Compensation Agency. The common theme of these recommendations is that the agency must become the dominant partner in the delivery system for workmen's compensation, and must create an atmosphere of protection and mediation rather than adjudication.

III. Implementation of the Commission's Recommendations

The implementation of its recommendations was carefully considered by the Commission. One reason is that previous recommendations for improving workmen's compensation have had a limited record of success.

Our recommendations were, to be sure, more numerous (totaling 84) than most earlier lists. And, to some extent, our recommendations contain some innovations. Nonetheless, many of our important recommendations are merely reaffirmations of earlier proposed standards for which the record of compliance is discouraging.

The review of this record led the Commission to the "inescapable conclusion that State workmen's compensation laws in general are inadequate and inequitable. While several States have good programs, and while medical care and some other aspects of workmen's compensation are commendable in most States, the strong points are too often matched by weak."

There seem to be several reasons for this discouraging record, including the veto power over reform held by interest groups, such as unions, trade associations, and lawyers; the competition among States for employers, which has dissuaded some States from reform because of the fear the resulting increases in workmen's compensation costs will drive employers to less expensive States; and the general lack of interest or understanding of workmen's compensation by the public and State legislators.[4]

We concluded that the record of the States was so discouraging in improving workmen's compensation and the factors which serve to inhibit reform were so powerful that we could not merely submit our recommendations on the assumption they would be self-fulfilling.

We felt that reform of workmen's compensation largely can and should take place at the State level. To that end, we recommended that an advisory committee in each State conduct a thorough examination of the State's workmen's compensation law in the light of our *Report.*

We also felt that creative Federal assistance can enhance the virtues of a decentralized, State administered workmen's compensation program and improve the prospects for reform. This Federal assistance should take two forms. First, we urged the President to appoint immediately a Federal workmen's compensation commission to provide encouragement and technical assistance to the States.

Second, we designated 19 of our recommendations as essential. These essential recommendations include compulsory coverage, coverage with no occupational or numerical exemptions, full coverage of work-related diseases, full medical care, reasonable choice of jurisdiction for the employee to file his claim, and certain of our recommendations for temporary total, permanent total, and death benefits.

We urge the States to incorporate these essential recommendations into their workmen's compensation programs as soon as feasible. We realize that time is required for this achievement. However, we believe these recommendations are so feasible and essential that every jurisdiction can be expected reasonably to adopt them within three years.

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[4] To the Commission's list of factors responsible for the malise of workmen's compensation should perhaps be added the lack of interest by the research community. Between 1954 and 1968, there are 4 entries under workmen's compensation in the *Index of Economic Articles.*

We believe that compliance of the States with these essential recommendations should be evaluated on July 1, 1975, and, if necessary, Congress with no further delay in the effective date should guarantee compliance.

The most desirable method to insure that each State program contains our essential recommendations would be to include these recommendations as mandates in Federal Legislation, applicable to all employers specified by our essential recommendations.

The normal enforcement method would be the imposition of fines on non-complying employers. Most claims would be handled by existing State Workmen's Compensation Agencies using their regular procedures, except that the scope of protection afforded by the State must include the essential recommendations.

This enforcement method represents an accommodation of two important principles held by the Commission members. The Commission was unanimous in concluding that Congressional intervention may be necessary to bring about the reforms essential to the survival of the State workmen's compensation system. At the same time, if Federal intervention is necessary, most members of the Commission reject Federal pre-emption of the State workmen's compensation programs as the enforcement mechanism. Rather, the administration of workmen's compensation would be left with the States, with the only requirement being that the States must provide protection to injured workers which includes the substantive terms of the Federal mandates. Our suggested enforcement mechanism for Federal mandates would thus not involve massive Federal intervention through pre-emption; it would involve Federal enforcement by acupuncture.

Most Commissioners would prefer no Federal intervention at all, if that is possible. Nothing would please us more than for the 1975 review of State progress to reveal that workmen's compensation is adequate and equitable. But, if the choice in 1975 becomes the continuation of the presently inadequate workmen's compensation program without Federal intervention on one hand, or limited Federal intervention to insure the adoption of our essential recommendations on the other, we have chosen the latter option. The only dissent to this viewpoint on the Commission was from three members who urged Congressional action now, rather than in 1975.

IV. Impact of the Report

It is too early to assess the impact of the *Report*. Most State legislatures had adjourned for 1972 by the time the *Report* was submitted. At the Federal level, the Longshoremen's and Harbor Workers' Compensation Act (also applicable to the District of Columbia) was amended in October, with the Report from the Senate Committee on Labor and Public Welfare indicating the changes "were fully consistent with the recommendations of the National Commission."

More significant Federal action may be coming. For example, Senator Javits has indicated he will press for 1973 Congressional enactment of Federal minimum standards for workmen's compensation. Of course, Federal action may not occur, at least in the near future. The President has made clear on several occasions his belief that workmen's compensation should properly be under control of the States.

It would be unfortunate if a hassle over Federal versus State responsibility for reform becomes the dominant issue in workmen's compensation. For as the Commission stressed in the concluding paragraph of the *Report,* "Our disagreement . . . as to the exact nature of the program's present impairment and as to precisely how the improvements must occur are far overshadowed by our agreement that the time has now come to reform workmen's compensation substantially in order to bring the reality of the program closer to its promise."

A Management Reaction to the Report

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The Commission was established as a result of an amendment sponsored by Senator Javits (R. N.Y.) to the Occupational Safety and Health Act. Its distinguished chairman, John F. Burton, Jr., has provided us with a review of the Commission's purpose and background, its Report and recommendations, and his observations as to where we go from here. My assignment is to respond with a management reaction to the Report.

While management's reaction is somewhat less than "knee jerk", it is far from a yawn. The Report has been rather well received by employers, particularly in summary form, but closer inspection develops many concerns, caveats, and questions.

Although your program entitles my talk "A Management Reaction . . . " in reality, as I advised John Burton in responding to his request for my participation some months ago, a general management reaction gleaned from the reports and comments of numerous organizations and professional observers is more in order. Thus my reactions will largely be included in the following numbered comments:

(1) Employers are relieved that the Report does not recommend Federalization per se, and that a minimally reasonable period of time is provided for the States to attempt conformance with the Report's "essential" recommendations. July 1, 1975 is not far away in terms of Legislatures which meet biannually, and where a vast amount of study by advisory groups and state personnel is required. Employers and the States would prefer more time. During 1971 and 1972 the pace of State changes in their plans and programs accelerated rather dramatically. This trend can be counted on to continue, where Legislatures are meeting. Many may be prodded additionally by Congressional hearings on a bill which probably will be reintroduced by Senator Javits, to be followed by those of Senator Williams (D. N.J.) and Rep. Perkins (D. Ky.). In addition to Sen. Javits' bill (S. 4110) introduced in October 1972, Sen. Perkins introduced a bill (HR. 1493) in January 1971 to require substantial increases in State benefit levels and "attempt to give the States an option to do a decent job or get swept into a federal system," to quote a House labor committee aide. During the past 15 years we have seen a variety of studies and recommendations to standardize and federalize workmen's compensation systems. The handwriting

on the wall becomes clearer but not necessarily more convincing to employers, and the States.

(2) During their deliberations considerable pressures were brought on various members of the Commission by constituencies in democratic fashion. Early rumors that the Commission might recommend prompt Federalization were fortunately dispelled by the standard setting and delayed review approach of the final Report. On balance employers, the States, and mutual insurance companies would prefer no federal standards. However, the "real world" of politics dictates a rear-guard action which accommodates the Report's "essential" recommendations and many of the balance of its 84 total recommendations.

(3) There is no hard evidence that existing Federal programs covering job injuries have a better track record than State systems. Federal programs could not be tailored to State needs as precisely as the States have managed even with all their shortcomings, and Federal administrative costs rarely compete favorably with State costs. On the other hand, reasonable and practicable Federal standards undoubtedly will provide the prod to laggard State systems, and as an alternative to Federal control per se, employers generally favor the Report's "essential" recommendations for translation into State legislation. They are also quite aware of the propensity of overlapping systems to further fill alleged voids, as evidence social security, disability, and the potential for National Health Insurance.

(4) Labor has complained that the membership of the Commission was weighted to favor the status quo. Conversely, only two employer representatives of 15 are hardly sufficient to adequately advance the cost and productivity implications of the Report. Management's overriding concern with the Report is its cost impact. True, the Commission states that cost projections show that adoption of all 1975 recommendations would result in average employer premium payments of no more than 1.5% of payroll in most jurisdictions. Unfortunately, these increases would exceed 50% for almost half of the jurisdictions if the 1975 recommendations were adopted, while in 5 States costs would exceed 70%, and, I suspect, more than double for certain of these. Further, the "average" employer statistics lump together those whose costs range from de minimis for office workers to vastly higher rates in the more hazardous industries. The costs of present State systems, excluding uncontrollable administrative costs, are the result of thousands of special interest bargaining situations tailored to existing legislative and economic conditions over a period of decades. Are these blood,

sweat, and tear accommodations now to be cast aside in favor of largely hypothetical uniform standards? Considering the seeming lack of employer and State bargaining leverage currently, it appears that they will be in most instances.

Increases of 50 to 70% in employer costs in these days of intense competition between materials, products, governmental units, and countries are matters of serious concern. Further, consideration of workmen's compensation costs in isolation from other costs is not realistic. Our future productivity and competitive ability as employers and as a nation is far more concerned with *total* costs than with the relative position of specific costs. Future workmen's compensation costs as a percentage of total payroll will approach or exceed the individual costs of social security, holidays, vacations, SUB-severance—to name more prominent fringes—in some jurisdictions for certain industries and employers. These employers should not be sacrificed indiscriminately on the altar of uniformity. The current emphasis on environmental matters, particularly "in plant," substantially increases the probabilities of higher compensation costs in the occupational disease field, but is not mentioned in the Report.

(5) Again, on costs, the uniformity of standards recommended nationwide tends to ignore geographic and inter-industry wage and fringe variations which have existed for generations. Labor and management have disagreed interminably over these issues, even to the extent of serious strikes. Many employers, particularly smaller ones, still consider these differences important economically. Obviously Labor does not. Many accommodations and agreements have been worked out between the parties, but the Report makes no assessment of its impact on this situation and assumes uniformity nationwide to be the gospel.

(6) Some have questioned the Commission's cost estimates as being understated. The returns are not all in. One example of underestimated costs can be found in compensation for coal workers pneumoconiosis under the Federal Coal Mine Health and Safety Act, enacted in late 1969. The scope of this Act and the criteria for evaluating disability and existence of the disease were substantially broadened, dramatically increasing costs to the point where "black lung" *alone* will cost a minimum of one billion dollars for the next fiscal year—and perhaps more than ten times this eventually. During the first two years of the Act's operation, of 348,000 claims filed, 159,534 were allowed compared to a total of 7,101 permanent and total and death claims held compensable in all of the State workmen's compensation systems during this period!

And once such legislation is on the books it is quite invulnerable to change.

(7) Some employers feel that the quid pro quo the Report refers to, i.e., the historical giving-up of certain employee rights, cuts both ways when considering the measure of "substantial protection" against income loss and "sufficient" medical and rehabilitative services. Too often forgotten are the important common law rights which employers conceded, e.g., contributory negligence, the fellow servant doctrine, assumption of risk, and the employee's burden of proving employer negligence.

(8) An oft-heard employer comment on the Report is the singular lack of attention devoted to improving delivery systems and correcting their abuses. Evaluation of the relationships between doctors, lawyers, and administrative arms in some jurisdictions is perhaps not in keeping with the general tenor of the Report but none-the-less a part of the scene. Administrative aberrations and deficiencies are minimized, as is the bottom of the cost iceberg, the overwhelming burden of minor awards where little or no permanent injury is suffered.

Employers would welcome the practicality of financing improved benefits out of the savings resulting from the correction of abuses. Politically this may be quite impractical. For example, unions frequently favor the "something for everyone" approach while at the same time damning the systems' low benefit and other levels. Some employers and their insurers feel that under a federal system higher benefits would result, but also much higher costs because minor cases and abuses would continue. Costwise it is difficult, and perhaps unattainable to achieve the best of both worlds. Similarly, full coverage of occupational diseases and the move from scheduled to full coverage of such diseases is, if properly administered, a desirable development. But, if the administrative machinery is incapable of screening occupationally caused diseases from nonoccupationally caused diseases, then costs will be inequitably and uneconomically pyramided upon improved benefits however well intentioned and designed.

Politically, improvements in the efficiency of administration would be quite unpopular for many who benefit from inefficient administration, for improvement may mean reduction of staff, loss of legal and medical fees, and numerous other related losses for those who have a stake in the high costs of delivery. Of these, lawyers in particular have considerable political clout in workmen's compensation matters.

(9) A change in administrative structure suggested in the Report, but not necessarily concurred in by all employers, is the separation of Appeals Boards from administrative functions of workmen's compensation agencies. William Moshofsky, an employer member of the Commission, feels this restructuring will breed litigation; that it is essential for the decision-making body to also have policy-making authority and the power to oversee provision for benefits and services at all stages. Other employers, observing the familiar "prosecutor, judge and jury" objections, may welcome such separation, which we have seen in other administrative agencies in recent years, e.g., the NLRB, the recent EEOC "cease and desist" battle, and others.

(10) Again, relating to administration and delivery, employers feel there is too much emphasis on the size of indemnity benefit payments and not enough on rehabilitation and return to work. The Report adequately emphasizes the need for proper medical care and adequate rehabilitation. Second injury funds should be encouraged, and not siphoned off for any other purpose.

(11) Some employers are surprised at the Report's labeling as "essential" the right to file claims in the State where injured, or where hired, or where employment is principally localized. This is not to say that employers object unduly. Claimants may shop less for the most remunerative forum as benefits are increased and standardized.

(12) Employers are in general accord with the Report's recommendation for more comprehensive and comparable statistical tools. The current efforts of the International Association of Industrial Accident Boards and Commissions are particularly to be commended.

(13) The Report's recommendation for prompt appointment of a successor Commission to oversee and assist the States in attainment of the Report's goals is sound, particularly a more detailed study of permanent partial disability—as Javits' bill proposed for his Federal Workmen's Compensation Advisory Committee of 5 appointed by the President. Unfortunately the Administration has made no move to implement this most urgent of all the recommendations. Considering the dwindling time between now and July 1, 1975, and the lack of encouragement aspects of non-appointment by the President, the successor Commission is overdue.

In this same vein, the need for advisory groups to the States is beginning to be filled in several quarters and more are anticipated. There appears to be adequate cooperation between the special interest representatives on these bodies. Employers are participatiing vigorously.

(14) Reference should be made to the rumored disagreement between mutual and stock insurance companies. The former reportedly have been opposed to federal standards and attempting to obtain agreement between the interest groups to a "compact" that would encourage States to improve their systems. The stock companies have been rumored in favor of federal standards, but are now cooperating with the mutuals in exploring feasibility of an interstate compact approach. In any event the stock companies support the essential recommendations of the National Commission.

(15) Recently a Congressional aide was quoted as saying "the worst thing that can happen to a family is for a man to be killed or injured on the job. They are better off economically if he quits and goes on welfare, gets fired and draws unemployment compensation or gets killed in a bar." While there are some obvious rejoinders to this comment, it does indicate the low repute of State workmen's compensation systems in many quarters.

While there is little disagreement among employers and States that State systems need upgrading, the feeling seems to be that the need for haste now in what is otherwise a continuing annual process arises primarily out of the impact of OSHA and the Commission's Report. The upsurge in 1971 and 1972 State improvements bears this out. On the assumption that the alternatives to Federal standards are next to nil, then the accomplishment of the Commission's recommendations, starting with the "essential" ones, can best be accomplished by a high order of statesmanship on the part of all interests. Management and Labor will have to adopt a positive attitude of compromise. In particular Labor must stand up to its membership—and its lawyers—by assisting in efforts to reduce excesses and abuses and improve the efficiency of delivery systems. Otherwise benefits cannot realistically be improved to meet the Commission's standards without unduly burdening American Industry in its competitive efforts both internally and abroad.

It was my intent, in these relatively brief remarks on a complicated subject and long Report, to be constructive. To the extent that some may consider them negative in part, I can only suggest that they are quite realistic from a management point of view, and, hopefully, respond to Chairman Burton's request for our reaction.

The Report of the National Commission on U.S. State Workmen's Compensation Laws

A LABOUR VIEW

JOE MORRIS
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The Report of the Commission, the result of a year or more of intense study of the workmen's compensation legislation now existing in diverse forms throughout the United States, is indeed comprehensive and far-reaching in its implications for the future administration of the system it represents. It is, as the Commission says, an evaluation of the historical changes on the "fairness and adequacy" of a program of workmen's compensation that came into being some fifty years ago.

The Report contains approximately 80 recommendations aimed at achieving five major objectives for a modern workmen's compensation program to be made applicable in all of the States. These objectives are, as listed by the Commission, the implementation of broad coverage of employees and of work-related injuries and diseases; the provision of substantial protection for workers against the interruption of income caused by such injuries or diseases; the provision of sufficient medical care and rehabilitation services for the victims; the encouragement of safety; and an effective system for the delivery of benefits and services to eligible claimants. It is labour's long established position that adequate and equitable legislation to meet these objectives constitutes the core of any sound workmen's compensation program.

Such legislation to be adequate and equitable must, from labour's point of view, provide for universal compulsory coverage of all workers irrespective of occupation, the size of the industry which employs them or the number of employees that may be employed in a given industry. Labour therefore favours a system which ascribes collective liability to employers and provides for maximum economic, social and rehabilitation protection for employees struck down by industrial accidents or diseases. We believe that recompense to such workers should come from a central state-administered accident fund and be paid directly to them or their dependents by a state agency.

Labour feels very strongly that only under such a system can disabled workers be fully assured of their right to receive compensation, medical attention, rehabilitation and other social services that may be necessary to return them to gainful employment. Such a system also places the financial burden with the employers where it properly belongs and prevents encroachment by private interests on the field of compensation which should be of concern only to employers, employees and government.

In Canada, as you probably know, we have the "collective liability" type of workmen's compensation throughout the provinces and to some extent in the federal jurisdiction. Employers in specified industries are required to contribute to an Accident Fund from which compensation is paid directly to incapacitated workers by a statutorily established Workmen's Compensation Board that is responsible for the administration of the applicable legislation. The same fund, through the same board meets the costs of medical aid and rehabilitation services provided to claimants. The Accident Fund is financed solely by assessments levied upon employers in relation to the hazards of their respective enterprises, their total payrolls and their respective accident records.

The Board adjudicates all claims and its decisions are final and generally not open to challenge in courts of law. Claimants are not permitted to sue their employers for damages for an injury received in the course of employment and private carriers are not in the picture. Litigation where there is third party involvement is elective but a claim in this respect may also be made to the Board.

The Canadian system therefore comes close to meeting fully labour's concept of adequate workmen's compensation legislation. This is not to say that the Canadian system is perfect by any means or that some features of the U.S. system or the recommendations of the U.S. Commission would not contribute considerably to the improvement of our system were they to be adopted by our legislators. It does serve, however, to point out the difficulty one may have in reacting to proposed changes to a vastly different system that has been in vogue in another country for half a century or more.

When one has lived with the Canadian system for so long it is indeed difficult to appreciate fully the potential of the Commission's Report in terms of what it might mean to the working men and women of the U.S.A. However, this paper will represent an effort to put forth some observations and opinions based upon the general approach of labour to the subject of workmen's compensation against the background of the Canadian experience.

The Commission's recommendations regarding coverage appear to go farther down the road towards the ideal of universality than one might have expected. *Certainly, the proposal to include farm, casual and domestic workers would, if adopted, place the U.S. legislation several steps ahead of our Canadian provisions on worker coverage.*

Although the Canadian system allows compensation boards considerable latitude and discretion in respect of extending coverage to groups of workers presently without protection, only one province, Ontario, has so far included farm workers and no province to date has extended coverage to domestic workers.

This recommendation to extend coverage to workers who are more or less on the fringes of the work force when coupled with other recommendations which would make compensation compulsory rather than elective, make coverage mandatory for all government employees, reduce the waiting period, and give workers a choice of filing a claim in whatever State may be to their advantage should be welcomed by the trade union movement as very progressive proposals which should prove beneficial to compensation claimants.

Similarly, the recommendation which seeks to include all employers within the ambit of the legislation irrespective of the number of people they employ will serve to extend coverage to many workers without the necessity of a government agency having to rule on eligibility or allowing coverage for the employees to depend upon a voluntary application by an employer. This we would regard as a very welcome improvement in the legislation.

The dropping of the "accident" requirement as a test of compensability and the provision of full coverage for all work-related diseases add yet another dimension to the desirable feature of universality of coverage. The practice of establishing a valid claim only in cases where a specific time and place of accident occurrence is shown conclusively has often resulted in the denial of benefit to workers with otherwise legitimate claims. This has been particularly true in the past in incidents of back injuries, sprains and similar injuries, the physical effects of which do not become evident until some time after their actual occurrence. Claims of this type tend to force claimants to have recourse to appeals procedures and litigation to determine whether or not the disability is work-related. Labour would therefore welcome a legislative change which would permit a more liberal interpretation of what constitutes work-related injuries and more flexible criteria for linking diseases to the work environment.

The practice of listing specific diseases in the legislation as being compensable can no longer be regarded as adequate because modern technology has escalated existing hazards to health and is continually creating new hazards. The time lag between the identification of health hazards in industry and the appearance of illness resulting from them is often lengthy. Workers who become victims of these circumstances should not be required to suffer further hardship because legal deficiencies serve to deny them compensation. Labour's reaction to the Commission's proposals regarding coverage of work-related injuries and diseases would be one of unqualified support.

In the area of benefit payments the Commission sets its target as "substantial protection against interruption of income." While labour might well be enthusiastic about the prospect of universal coverage of employees, injuries and diseases, it is cognizant also of the fact that coverage becomes meaningless if the level of compensation benefit fails to meet the economic need of disabled workers. Consequently, we are always wary of words like "substantial" which may be given many interpretations depending upon who does the interpreting and the criteria that may be applied.

The Commission, in the recommendations it makes regarding this major objective, appears to aim at an ultimate formula which will provide disabled workers with an income equivalent to 80% of their "spendable earnings" up to a maximum of 200% of a State's average weekly wage by 1981. Assuming that "spendable earnings" mean gross earnings less taxes and considering the fact that the present formula of 66⅔% of gross earnings is low in comparision to the Canadian level of benefits—now 75% in all provinces—one is inclined to view this recommendation as something less than generous. It might well have more meaning if it were recommended for immediate implementation. The Commission, however, has further qualified its proposal for the ultimate by suggesting that the States be allowed to continue compensation payments at the 66⅔% level for an indefinite transitional period until provisions for payments of *at least* 80% of workers' spendable earnings are made. In other terms it may be said that the Commission recommends a minimum of 80% of spendable earnings to take effect at such time as the State gets around to it and a maximum of double the State's average weekly wage nine years hence. The recommended steps to the maximum goal are 66⅔% until 1975, 100% from 1975 to 200% by 1981.

Without checking out detailed calculations this overall recommendation appears to be unsatisfactory from a labour point of view. If the compensation has been judged inadequate and inequitable in its present form then the time for reform is now, not later; and recommended reforms in income protection should be predicated on the relativity of wages lost to today's level of earnings. Justice may well be better served by the complete removal of wage ceilings with benefits being paid as a % of the workers' earnings at the time of disablement with that resultant income being tax free. The wage ceiling feature of workmen's compensation legislation in Canada originated with a determination of that ceiling being based upon the highest wages paid to workmen at the time.

Over the years this deteriorated to a figure which reflected average wages or less. The net result is that today many claimants whose regular incomes exceed the ceiling figure find themselves receiving far less than the prescribed 75% of earnings when on compensation. The recomendations of the U.S. Commission may well result in a similar inequity if the the proposed 80% of spendable earnings should exceed the figure of a fixed maximum related to average weekly wages.

The Commission's recommendations regarding death benefits bear the same connotation as those outlined for total disability cases except that the minimum weekly benefit for the main survivor is proposed to be 50% of the average weekly wage in the State and provision is made, of course, for dependents allowances. There is also a proposal to reduce compensation payments by the amounts that may be received by the dead worker's family from other sources of social assistance.

Labour's reaction to the set minimum proposed would be to brand it unrealistic in the face of today's wage scales. 80% of a reasonable minimum wage of $2.00 per hour for a 40 hour week would result in a figure of $64.00 whereas 50% of an average weekly wage of $120. would be less, to say nothing of the disparity of treatment that might accrue to widows and widowers residing in different States where average weekly wages may vary widely. Fairness would seem to dictate that the minimum weekly stipend for widows and widowers be established at a figure which would represent the average potential earnings of the dead worker had he lived out the balance of his working life.

The notion that compensation payments be reduced by the amount of social assistance benefits received from other sources by widows and orphans is repugnant to the ideals of the labour movement because if fails to take into account the measure of suffering, distress and economic hardship that besets every family upon the loss of its breadwinner. Is it not enough that one parent must continue to maintain a family on a considerably reduced income which will be eroded by rising costs as time goes by without considering it necessary to cut off other meagre sources of income as well? When proposals of this nature are made labour gets the feeling that there are still some people in society who have more concern for the public purse than they do for the less fortunate people who live among us. We disagree with any suggestion that families whose lives have been disrupted by industrial accidents or disease be penalized because they receive social assistance from sources other than compensation.

On the other hand we would be quite pleased to see adopted the Commission's recommendation that permanent total benefits be paid for the duration of a worker's disability without limitations as to dollar amount and time. The limitations which the Commission found to be present in some States in respect of payments to totally disabled workers can only be described as odious and offensive to human dignity.

In labour's concept of workmen's compensation substantial protection against interruption of income should be interpreted and applied as maximum protection against income loss. To devise a program which purports to afford claimants maximum recompense for income loss and then build into it mechanisms which will deplete the maximum to the minimum is not only inconsistent but patently insincere. If, as the findings of the Commission suggest, the working men and women of the United States are in need of modern, generous and humane compensation benefit levels, then labour says most emphatically, give it to them with no strings attached.

In turning to the recommendations of the Commission regarding sufficient medical care and rehabilitation services labour finds itself in agreement with the full range of proposals. The right of the worker to choose his own physician, the no-limit proposal on medical care or physical rehabilitation services, the establishment of medical re-hab divisions under the authoritative supervision of compensation agencies, the placing of responsibility with these agencies to see that workers receive vocational re-hab services, and the proposal to establish a second injury fund to be financed from the several relevant sources—all should receive the unqualified blessing of the trade union movement. The suggestion that second-injury funds be used liberally in order to encourage employment of the handicapped tops off a very worthwhile set of recommendations that hopefully will be implemented without undue delay.

Labour regards the restoration of injured workers to full and gainful employment as a most important aspect of workmen's compensation programs because it not only mends the physical damage but restores to the worker his human dignity and contributes to his peace of mind.

The return of the worker to the work place if at all possible is the desirable conclusion of every compensation claim. When the use of the system's machinery accomplishes this, the cost of maintaining that machinery fades to insignificance. Working lives are saved by this process and that surely is well worth the price that must be paid for it.

There is another better and less costly way to achieve this end. That way lies in the encouragement of safety and accident prevention programs in industry.

The Commission's recommendations on the encouragement of safety as a basic factor in workmen's compensation seem to be narrow in their scope. It is good to see that they are aimed at providing monetary incentives to employers to mount safety programs by proposing that the experience rating principle be extended to as many employers as practicable. It is also reassuring to note that loss prevention insurance subject to adequacy audits is envisaged. But it is somewhat disconcerting to realize that the Commission gave no emphasis to the types of accident prevention programs that may produce the best results.

The Report points to the fact that preventive health and safety programs have dramatically improved productivity and reduced labour costs. No mention is made, however, of the fact that such programs also reduce the number of fatalities and mutilations that befall workers in industry and thus reduce the overall cost of workmen's compensation. Furthermore, there is no suggestion whatever that accident prevention programs are eminently more successful when conducted jointly by management and labour in co-operation with government agencies.

It seems that the Commission, as is so often the case with other investigating bodies, was thinking of safety in terms of it being a sole preserve of employers. True, the primary responsibility for safety rests with employers and they must bear the greater share of the burden of monetary cost. But to suggest that experience rating and other cost incentives to employers are sufficient to precipitate solid action in the field of accident prevention is to exhibit a narrow concept of the problems that lie in this field.

Labour would be more pleased with the Report if it had proposed legislation to make joint labour-management safety programs mandatory for all enterprises. A recommendation of this nature would serve several useful purposes, not the least of which would be to encourage greater input to accident prevention activities by the parties that are most directly concerned and to provide a more practical base for the implementation of the employer-employee education programs that are envisaged by Section 21 of the Occupational Health and Safety Act of 1970.

The House Committee on OHSA judged that one of the key contributions Government can make to the occupational safety movement is through education by the dissemination of safety information and by training employers and employees. "The primary goal of any safety act," the House Committee said, "is to prevent accidents and illnesses." It also called for special emphasis on the provision of technical assistance to both labour and management to enable them to adopt sound safety and health practices.

With this commitment of government assistance waiting in the wings it is somewhat surprising to find the Commission on Workmen's

Compensation evidently overlooking the full potential of tripartite health and safety programs as an integral part of a sound comprehensive program for workmen's compensation. Unfortunately, this gap in the otherwise positive approach of the Commission to its task seems to have resulted from the after-accident philosophy which prevails largely in the general attitude towards workmen's compensation. If more human and material resources were concentrated on preventive health and safety programs with a view to inculcating before-accident awareness to the minds of management and labour alike, solutions to the many problems now associated with providing ample compensation and services to incapacitated workers would come much more readily. For its part, labour is prepared to back up its viewpoint in this respect by encouraging full participation by its members and all employees, for that matter, in preventive health and safety programs. Our problem at the moment is a lack of recognition by professionals and others in the field of the very useful role labour can play if given half a chance to make its contribution to the educational aspect of such programs. Safe and healthy work places are the best antidote we know of for work-related injuries and diseases.

In dealing with Commission's stated objective that there should be an effective delivery system for workmen's compensation one is faced with the maze of intricacies that beset a decentralized system spread over fifty-two States, each with its own administrative procedure. Although variations exist between the provincial programs in Canada they are by far less complex than those on the U.S. scene and, of course, the programs are not nearly as numerous. Basically, however, the Canadian delivery system operates through one channel in each province the Workmen's Compensation Board. This places the total administrative responsibility in one place and enables claimants to have their benefits and services delivered to them with a minimum of complications.

In contrast, the U.S. system at present seems to be an assortment of State agencies, insurance carriers, legal counsel, courts, self-insured and State insured employees, part-time administrators, a variety of reporting systems and differing means of adjudicating claims.

The Commission, to its credit, attempts to cut through some of the jumble by recommending that more administrative control and delivery responsibilities be assigned to State agencies. Labour, while welcoming these proposals as being progressive, would be inclined to say that they do not go far enough. In our estimation service to claimants should be the pivot of workmen's compensation and we believe adequate service cannot be rendered to claimant if the administrative agency is obliged to contend with the several other interests which clutter up its doorstep seeking attention to their pieces of the action. It may well be that a complete change from the present U.S. system to a one-channel State agency operation is too much to expect at this time but the sooner it becomes a reality the better will be the lot of the injured or sick worker who must seek compensation.

There are many other recommendations made by the Commission which in the opinion of labour constitute improvements in the system but the restrictions of this paper obviate any detailed comment. Suffice it to say that labour would I believe be prepared to accept with some reservations most of the Commission's proposals for greater control of the reporting system by the State agency, the protection of claimants against private carrier insolvencies, the appointment of State advisory committees, the assessment of employers and carriers to finance state agency operations and the launching of programs to disseminate information about salient features of the various State Acts.

We might add that the proposals to restrict court appeals to questions of law, regulate the fees of attorneys in compensation cases, and minimize the incidence of compromise or release agreements would meet with applause from the labour side. Also, the recommendation to provide a retroactive benefit fund for the purpose of adjusting to current levels the benefits payable to those claimants who have been on compensation for some time in the past would meet with Labour's hearty approval. The replacement of compensation income that has been eroded by inflation would certainly help reduce the misery that must be being suffered by such claimants.

Labour reacts to the Commission's Report as a whole as one which heralds many overdue reforms and fervently hopes that all of the State legislatures will do their part in bringing the Commission's proposals to reality in the near future.

It is now over 80 years (Germany 1884) since workmen's compensation legislation first appeared on the scene of industrial relations and while much progress has been made in the field since then, its original features have not broadened sufficiently to meet the economic and social demands of our time. Fundamentally the law and its administration continue to remain stratified and conservative. The time for modernization is long overdue, not only in the U.S. but in Canada and other countries as well. The U.S. Commission found its members to be without exception supporters of the basic principles of workmen's compensation but voiced its criticism of the present State programs because in practice they fall far short of the basic principles and because there is no possible justification for the short fall. The Commission's report indirectly demands that practices be improved in order to bring the reality of the program closer to its promise.

The time to do this is now, not several years hence, and the Federal Government should be empowered to enforce the needed reforms if any of the States show a determined unwillingness to act on the Commission's recommendations. Organized labour for its part, should marshal its full economic and political strength and pursue relentlessly the implementation of the legislative changes necessary to bring about the desired reforms in workmen's compensation practices. To do otherwise would be to fail in its duty to the working men and women it represents.

The View from Abroad, or The Evolution of New Zealand's Accident Compensation Act of 1972

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This view from abroad is remarkably provincial. The main item for discussion in New Zealand's recent accident legislation. Such a narrow focus perhaps needs a defense, especially from one who does not deign to present his paper in person. The truth is I do not find workmen's compensation exciting or even very relevant to type of problems personal injury raises for modern societies. While the beefed up sort of workmen's compensation envisaged by the National Commission may be better than what exists now I find the basic premises of the system unsound and therefore unworthy of further consideration. Please forgive this cavalier approach, but if you don't want a little borax applied to the American way don't invite foreigners to give papers.

In late October New Zealand's Governor General gave the royal assent to the Accident Compensation Act of 1972. It is perhaps the most important social legislation to reach the New Zealand statute book since New Zealand established in the 1930's a comprehensive welfare state from the cradle to the grave. The New Zealand scheme is of great interest to all those countries with a common law heritage which are currently wrestling with the problem of what to do about accidents. The move toward no-fault automobile insurance in the United States has aroused a great deal of controversy here. The National Commission on State Workmen's Compensation Laws reported this year. The New Zealand plan may be a glimpse of what lies at the end of the paths to reform being contemplated in the United States.

The New Zealand plan was not born of any great discontent with automobile insurance premiums, the common law or workmen's compensation. A comprehensive social welfare system has meant that where all else fails an accident victim will receive enough money to buy food and pay the rent. The point of departure came with an inquiry into what to do about compensating victims of work accidents. New Zealand like all states in the United States had adopted early in the century a Workers' Compensation Act modelled on the law which passed the United Kingdom Parliament in 1897. Unlike similar laws in the United States, however, the New Zealand legislation permitted the injured worker to sue his employer for the common law damages. Thus if he could prove fault the worker stood to secure substantial lump sum damages for pain and suffering as well as for economic loss. If he was not able to succeed in an action at law he received the income maintenance benefits of workers' compensation which while meagre compared with the full measure of damage allowed by the common law were automatic upon a showing that the accident "arose out of and in the course of the employment." It was not necessary to prove negligence. Employers were required to insure against both workers' compensation liability and common law. All this worked happily enough for more than 50 years—towards the end of the 1950's the Act was revised without any major alterations in principle. There was some discontent among trade unionists about the maximum level of earning-related benefits being paid under workers' compensation being too low but that pressure was attenuated by the visions of a pot of gold at the end of the common law rainbow. As time went by the law of negligence altered in ways that made it easier for plaintiffs to recover, and juries (which New Zealand unlike England has retained for damages actions) became increasingly generous with what they knew was insurers' money.

Although there had been nothing resembling public clamor, in 1966 a Royal Commission was established to examine the law relating to compensation for incapacity or death arising out of accidents by persons in employment. It was chaired by a Supreme Court judge, Mr. Justice A. O. Woodhouse. The Report of the Royal Commission which was made public at the end of 1967 was one of the most radical public documents seen in New Zealand for years. It was full of political landmines for the Tory Government which had commissioned it. The Commission felt unable to deal with work connected accidents in isolation from other accidents. The Commission found it necessary to examine the 'social implications of all hazards which face the work force, whether at work or during the remaining hours of the day." This examination led the Commission to recommend a completely unified scheme for the victims of accidental injury without demarcation by the cause of disability. The basic principle of accident law enunciated by the Commission was one of community responsibility for all accidental injury. It was a matter of national obligation for the community to protect "all citizens (including the self-employed) and the housewives who sustain them from the burden of sudden individual losses when their ability to contribute to the general welfare by their work has been interrupted by physical incapacity." The common law remedy was severely criticised. Its complete abolition for all personal injuries was recommended. The Commission recommended that compensation be paid to all persons injured regardless of cause. Compensation was to 80 per cent of previous earnings—subject to a maximum generous enough to ensure that almost all of those earning in New Zealand would receive a full 80 per cent of their earnings while disabled. The workers' compensation legislation was to be repealed. There was to be a new and forceful impetus brought to the rehabilitation of accident victims and the prevention of accidents. The insurance industry was to be completely removed from the accident compensation scene. The Royal Commission recommended that the scheme be administered by an independent authority. All this was to cost no more than existing programs. No new taxation would be required. The money would come from the present employers' liability insurance, and the compulsory liability scheme which had been in operation for many years for motor accidents. The self-employed would have to pay a levy and there would be a small levy on motor drivers' licenses. The basic strategy was to harness existing expenditures and to eliminate the waste associated with the common law and a polycentric insurance industry.

The basic blueprint of the Royal Commission has been departed from in the Accident Compensation Act of 1972, but enough of it remains intact to make the scheme the boldest ever contemplated in the common law world. The scheme was dextrously guided through the political system and caused very little controversy. This was a remarkable achievement given the wide ranging way in which the interests of the insurance industry and legal profession were affected.

The National Government's attention to the Royal Commission Report began with a study by a caucus committee in 1968. There were obvious sectors of opinion within the party which were vehemently opposed to the scheme and others, characterised by those who disagreed with them as "the more progressive social thinkers," within the party who were in favour. Without reaching any conclusion caucus agreed to have an Interdepartmental Committee of top civil servants examine the scheme. This was done in a White Paper published in 1969 just before the tri-ennial general election. The paper was really a feasibility study of the Commission's scheme, with a presentation of possible alternatives. It was clear, however, that the officials liked the scheme and thought it would work. The National Government was returned to power in the election and a Parliamentary Select Committee began to hear submissions on the Royal Commission's proposals. After laboring for more than a year both Labor Party and National Party members of the Committee were able to reach agreement on a modified scheme.

The legislation follows, by and large, the principles adopted by the Select Committee. The Select Committee agreed with the condemnation of the common law made by the Royal Commission. It recommended that a system of absolute liability be substituted for negligence for automobile accidents involving bodily injury. It also recommended 24-hour cover for all persons in employment—whether they were injured at work, climbing a mountain or playing rugby. The only people to be left out were those not earning—principally housewives and old people—and even they would be covered if injured in a motor accident. Compensation for both categories was to be identical—earnings related compensation at the rate of 80 per cent of the amount of earnings lost. Where the injury is one with permanent effects there is to be a medical assessment of the degree of incapacity and a periodic pension will be paid based in the degree of incapacity and the previous earnings up to the age of 65 when the existing universal superannuation and age benefits schemes will take over. An assessment, once made, can never be revised downward although it can be revised upward. A complex range of benefits is paid to dependents of persons who are killed in accidents. There is also provision for compensation for loss of potential earning capacity. The Select Committee was persuaded by lawyers and trade unionists who appeared before it that some allowance should be made for non-economic loss. The Act provides for up to $5000 to be paid for permanent loss of bodily function, the payment to be determined on a schedule of disabilities which was drawn up by a Medico-legal Committee. Up to $7,500 can also be awarded for pain and suffering and loss of capacity for enjoyment of life. These figures may not sound very much to Americans, but they are pretty substantial by New Zealand standards. It must not be overlooked that these payments will be coupled with earnings related periodic payments to continue throughout the recipent's working life.

The Government did not feel it could deal as harshly with the insurance industry as the Royal Commission had done. The insurance industry stood to lose about half their accident insurance business amounting to one-sixth of their total premium income from the implementation of the Royal Commission's proposals. The industry fought the Government long and hard over the proposals, although it did so in private and decided against carrying the fight into the public arena. Since it appeared that the Opposition, the Labour Party, was committed to implementing the Commission's scheme in full if it became the government (as it now has done) the industry felt it had to be content to get what it could from the National Government without raising a song and dance.

Under the 1972 Act the Government has established an Accident Compensation Commission. The Commission will allow the insurance companies to act as agents of the Commission for the purposes of paying claims on a fee for service basis. But the companies will not collect the contributions to the schemes and they will not have custody of large sums of money for long periods of time. This means that they still face substantial losses in income from both underwriting and investment. At the moment it looks as though the companies will pick up the bone the Government has tossed them. But they are not very happy about it. On the horizon they can see visions of a nationally organized earnings related retirement pension plan which has been proposed by the Labor Party and was clearly inspired by the Accident Compensation scheme.

In the end it turned out that the drafting of legislation along the lines recommended by the Select Committee was an exceedingly difficult task. The lines of demarcation were hard to draw. Who was an earner? How did one ascertain what compensation was to be paid to the self-employed? What about overseas visitors? A myriad of detailed issues had to be settled. The Act has more than 170 sections; many of them covering much more than a page of the statute book. A bill was introduced in the New Zealand Parliament late in 1971 and referred to another Select Committee. The Select Committee made a tremendous number of alterations aimed at spelling out exactly who got what. There were no alterations in fundamental principle, but many were of the opinion that the legislation is so complex that it will give rise to substantial difficulties in administration.

The New Zealand Law Society, the professional organization of the bar in New Zealand, had been severely split on the desirability of the measure. But once the lawyers saw that the Government was determined to proceed the Law Society told the last Select Committee that it would be easier to implement the total coverage of the Royal Commission rather than the more limited coverage recommended by the first Select Committee. The more limited coverage meant that common law actions were preserved for accidents not covered by the scheme and in marginal cases it is no simple matter to discover who has a common law action and who does not. Those who do not agree with determinations under the scheme can appeal first to an Appeal Authority and then to the Supreme Court.

Although it looked for some time that Government might be tempted to go all the way with the Royal Commission it held back. The Act does, however, contain a provision asking the Accident Compensation Commission to report to the Government after the scheme has been in operation 3 years as to whether the scheme should be extended to cover all accidents. Although the number of persons who will be excluded from the scheme as enacted is not high, it was not clear what the costs of compensating them would be since there was less data on this group than on those covered by the scheme. But the real reason for holding back was the Government's desire to keep the self financing Accident Compensation scheme separate from the flat rate social welfare scheme which has been operating in New Zealand for years, ameliorating almost every kind of hardship. Many of these benefits are income tested. But if the Accident Compensation scheme were extended generally to non-earners there would be immediate questions of equity between the two systems. This is not altogether avoided under the scheme as enacted since non-earners injured in motor accidents are covered. But the Government had had another Royal Commission looking into New Zealand's social welfare programs which reported early in 1972. The Commission advised that the basic purpose of the flat rate social welfare benefits was sound although some patching up was needed. The Commissioners recommended against the substitution of earnings related benefits as a general principle. The Government immediately implemented that Commission's recommendations, no doubt with a sigh of relief that it did not have on its plate another Report with the awe inspiring dimensions of the Royal Commission on Personal Injury. Funding sickness or widows benefits on an earnings related basis would have called for substantial increases in taxation.

There was a general election in New Zealand at the end of November. The Labour Party has come to office for the first time since 1960. The Party supported the Government at every step of the reform although chiding the Government for its delay. Now the Party is of the opinion the compromise Act of the Government is too complex and will spawn litigation. Opposition legal spokesmen have likened the complexity of the bill to that of taxing legislation. When the bill received its final reading the Opposition announced that its attitude was "at best, lukewarm." The Opposition would implement totally the grand design of the Royal Commission. Something was made of this on the hustings but nobody really thought that there were many votes in it either way. The whole matter has been too complex for the average New Zealander to know what is really happening.

Politically, it is very difficult to generate opposition in New Zealand for something which is aimed at helping the injured. This probably accounts for the relative ease with which enactment proceeded. The most controversial measure in the entire bill was one which required the employer to pay full wages to an employee for the first week he was off work, whether he was injured at work or elsewhere. The New Zealand Employers' Federation in a masterly display of pressure group politics deluged the politicians with objections. The amendment they sought was made, so that the Act only requires employers to pay for the first week where the accident is connected with the employment. In all other cases the injured person will have to bear the cost of the first week himself.

New Zealand has returned to a tradition of which she has been proud in the past—that of bold social experiments. How the Accident Compensation scheme works will certainly be of interest to the United States. America is struggling with an automobile reparations system which has been roundly condemned by most who have studied it and workmen's compensation legislation which is difficult to praise.

XI. RESEARCH ON FEDERAL COMPLIANCE EFFORTS REGARDING EMPLOYMENT DISCRIMINATION *

Toward Fair Employment and the EEOC

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As a national policy discrimination by employers, employment agencies, and labor organizations on the basis of race, religion, sex, and national origin is unlawful. It has been since passage of Title VII of the Civil Rights Act of 1964.[1] In fulfilling its responsibility for administration of Title VII, the U.S. Equal Employment Opportunity Commission (EEOC) attempts to secure voluntary compliance with the law through informal means of conciliation where reasonable cause exists to believe discrimination occurred. The use of conciliation to secure compliance with Title VII has not been uniformly successful, however. From July 1966 to June 1970 nearly 6 out of 10 charges were unsuccessfully conciliated.[2] That is, the respondent refused to change his or her employment or referral policies to resolve alleged unlawful practices.

Throughout its early history the EEOC has no power to bring direct civil action against respondents where conciliation was unsuccessful. Instead, this power was accorded complainants. The amendment of Title VII by the Equal Employment Opportunity Act of 1972, however, empowered the Commission to secure enforcement of the law through civil action in federal court where voluntary compliance efforts were unsuccessful. This paper summarizes an intensive study of the EEOC's compliance procedures and their use of conciliation as a tool of compliance. The main objectives were to analyze compliance procedures established under Title VII to identify factors associated with the success or failure of these procedures and to determine

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* The discussion presented in this session by James E. Jones, Jr., University of Wisconsin, is not included in the published *Proceedings*.

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[1] *Civil Rights Act of 1964*, 42 U.S.C. 2000e-5 (1964) as amended by the *Equal Employment Opportunity Act of 1972*, Public Law 92-261, 86 Stat. 103 (March 24, 1972).

[2] U.S. Equal Employment Opportunity Commission, *Third Annual Report* (Washington, D.C.: Government Printing Office, 1969), p. 6; and ———— *Fifth Annual Report* (Washington, D.C.: Government Printing Office, 1971), p. 36.

whether their use of conciliation, when successful, has effectively changed employment opportunities of minority groups. As a corollary to these objectives was the need to find ways for improving these procedures should that be called for.

The study examined EEOC compliance activities between 1966 and 1971. The data, for the most part, were drawn from EEOC conciliation case files; employer reports of annual employment by sex, occupation, and ethnic origin filed with the EEOC by firms subject to Title VII;[3] and interviews with Commission personnel and respondents charged with discrimination. Using a case study framework supported by tabular and statistical analysis, the investigation was limited primarily to conciliation involving alleged acts of employer discrimination based on race. More recently these cases have accounted for approximately 6 out of 10 discrimination charges received by the Commission.

To examine factors leading to success or failure of conciliation, and its subsequent impact on minority employment, 14 respondents were visited and interviewed during the summer of 1971. The interviews sought to establish a broad base of information about the respondent, his or her employment practices, the relationship of conciliation to these practices, and other factors affecting minority employment. The respondents, representing a diverse set of issues and industry sectors,[4] were selected from among those charged with employment discrimination based on race from 1966 to 1969. Each respondent was involved in at least one successful conciliation settlement: a majority were also involved in one or more unsuccessful conciliation efforts.

The results of the study suggest the limited effectiveness of fair employment legislation as a means to expand minority employment opportunities. Whatever results might have been expected initially by its proponents, the net impact on minority employment of the compliance process and the use of conciliation was apparently small. The passage of this legislation nevertheless represents an integral component of the comprehensive set of programs and policies necessary to overcome the complex and pervasive problems of employment discrimination.

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[3] Employer reports (form EEO-1) were collected from private firms with 100 or more employees, 50 or more employees and a government contract of $50,000 or more, and firms voluntarily subscribing to the Plans for Progress program.

[4] Respondents surveyed represented the following two-digit Standard Industrial Classifications: ordnance and accessories, food and kindred products, apparel and other textile products, chemicals and allied products, rubber products, fabricated metal products, transportation equipment, trucking and motor freight, retail general merchandise, eating and drinking places, hotels and other lodging places, personal services.

The Compliance Process

The compliance process is comprised of a series of actions the purpose of which is to resolve complaints of job discrimination. Its steps, in sequence, include: initiation of a discrimination charge; investigation of the charge to determine its factual basis; analysis of the facts to determine whether there is reasonable cause to believe discrimination has occurred; conciliation of those charges which reveal probable discrimination; and suit in federal court where the charge cannot otherwise be resolved. From its inception to the present, the number of discrimination charges filed with the Commission has grown steadily. Both as a measure of the awareness of Commission compliance efforts as well as of their need, the number of charges has increased in each fiscal period from 8,169 in 1966 to 20,122 in 1970.[5]

The administration and development of the compliance process, like that of most new institutions, has been marked by change and adjustment to new realities. The Commission recognized by 1968 that compliance could not be achieved effectively through a one-on-one, complaint-oriented approach. As a result, the Commission's emphasis in conciliation shifted to include not only relief to the charging party but removal of those conditions underpinning the specific act of discrimination. In 1970 efforts were undertaken to streamline the compliance process. Techniques of investigation and settlement, which involved lengthy delays between investigation, the decision of reasonable cause, and effort to resolve the matter by conciliation, were replaced by a pre-decision settlement procedure which offered the charging party and respondent an opportunity to resolve the conflict immediately following investigation of the charges.

The Commission has categorized its effort to secure voluntary compliance with Title VII as either fully successful, partially successful, or unsuccessful. Successful conciliation is defined to mean a formal agreement, signed by the respondent, to provide redress to charging parties for alleged acts of discrimination, and to revise, where necessary, discriminatory employment or referral practices. In return, the charging parties agree to waive their right to sue the respondent for relief under Title VII. Conciliation is considered partially successful if the respondent pledges informally, without a signed agreement, to eliminate alleged acts of discrimination. Conciliation is unsuccessful, however, if the respondent refuses both formally and informally to modify alleged discriminatory practices. Using these definitions as a guide, conciliation

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[5] U.S. Equal Employment Opportunity Commission, *Third Annual Report*. U.S. Equal Employment Opportunity Commission; *Fourth Annual Report* (Washington, D.C.: Government Printing Office, 1970); U.S. Equal Employment Opportunity Commission, *Fifth Annual Report*.

TABLE 1

Distribution of Charges with Completed Conciliations by Status of Outcome: Fiscal Years 1970–1966

Conciliation outcome	1970		1969		1968		1967		1966	
	Number of charges	Percent distribution	Number of charges	Percent distribution	Number of charges	Percent distribution	Number of charges	Percent distribution	Number of charges	Percent distribution
Total	1,179	100	1,305	100	1,244	100	890	100	191	100
Fully successful	342	29	486	37	424	34	306	34	111	58
Partially successful	105	9	90	7	89	7	77	9	20	10
Unsuccessful	732	62	729	56	731	59	507	57	60	32

Source: U.S. EEOC Second, Third, Fourth, and Fifth Annual Reports.

has been successful in only one-third of those charges referred to conciliation (see Table 1).

Throughout the period examined from 1966 to 1971, the EEOC had no enforcement power of its own. Consequently, where compliance could not be secured through voluntary means, the charging party had little alternative but to seek redress through civil action in federal court.[6] In some cases where a pattern or practice of discrimination existed, the U.S. Attorney General could institute civil action against the respondent.[7] The Commission could, however, participate in private civil actions as *amicus curiae,* and it did so in a number of cases.[8] From 1968 to 1970, for example, it participated in 285 proceedings.[9] The Commission, moreover, was responsible for referral of cases involving patterns or practices of discrimination to the Attorney General who, in turn, had filed some 59 pattern and practice suits through March, 1971.[10] There developed as a consequence of this litigation a substantial repository of case law refining and developing the effect and application of the ban on discrimination by race, religion, sex, and national origin.

The Outcome of Conciliation and Its Determinants

The basic premise of this study established within the framework of bargaining theory is that for conciliation to be successful or partially successful, each party must think that his or her cost of disagreeing exceeds their cost of agreeing. As illustrated by case studies, the behavior of respondents strongly supports the proposition that settlement cost is an important variable determining the outcome of conciliation, and, moreover, that during the term of this study, the Commission and charging parties were more than often unable to offset these costs with penalties for settlement failure.

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[6] *Id.,* See old Section 706 (e) of Title VII of the Civil Rights Act of 1964 and compare Section 706 (f) (1) of the amended law.

[7] *Id.,* Section 707 (a).

[8] *Id.,* Section 705 (b) (2).

[9] U.S. Equal Employment Opportunity Commission, *Third Annual Report,* p. 10; ———— *Fourth Annual Report* (Washington, D.C.: Government Printing Office, 1970), p. 11; ———— *Fifth Annual Report* (Washington, D.C.: Government Printing Office, 1971), p. 17.

[10] Statement of Deputy Assistant Attorney General David L. Norman, Civil Rights Division, before the General Subcommittee on labor of the House Committee on Education and Labor: H.R. 1746, The Proposed Equal Employment Opportunities Act of 1971, March 3, 1971.

ECONOMIC GROWTH

Evidence is offered that the downturn of the national economy after 1969 enlarged the cost of settlement to respondents and thereby increased resistance to settlement. The evidence is not overpowering, but it does show a decline in the relative number of successful conciliations during and after 1969 (see Table 1). Diminishing growth of employment in this period opened fewer jobs to minority groups and enlarged resistance of nonminority incumbents to expanded employment and upgrading of minorities.

Whatever net impact successful conciliation might have had on minority employment was systematically dissipated by a slackening economy. In interview after interview during the summer of 1971, respondents cited little hiring of *any* personnel during the previous 12 months and the number of positions created through turnover also diminishing. Where longitudinal case data were available, the expansion of minority employment in toto and in salaried white-collar occupations was reduced sharply after 1969.

JUDICIAL INTERPRETATION OF TITLE VII

As interpretation of Title VII slowly emerged from the courts, the Act began to assume legal meaning as a document of law. The compliance procedure and its use of conciliation inevitably matured. These early years of litigation helped give life and meaning to equal employment opportunity by supporting systemized restructuring of the employment process within the context of voluntary compliance activities. Perhaps more important, however, the influence of this litigation clearly extended beyond the immediate firms involved in compliance to include others aware of Commission activities. This "distribution effect" of Title VII, as it might be described, could not be measured although its presence must be acknowledged.

ADMINISTRATIVE PROCEDURES

The administrative procedures employed by the Commission also appeared to have a substantial impact on the outcome of conciliation and its effect on minority employment. The level of professionalism employed in the investigation and conciliation of alleged unlawful employment practices was judged a major factor affecting the outcome of conciliation. The impact of conciliation on minority employment, moreover, was diminished in some cases by failure of the Commission, due to manpower shortages, to review consistently results of conciliation settlements. Four of the 14 respondents reviewed, for example, revealed little, if any, awareness of earlier agreements.

The provision of technical assistance to employers, labor organizations, and employment agencies by the Commission also supported compliance activities. A strong need for such assistance was observed among small employers (usually less than 100 employees) since they, unlike larger firms, frequently did not have sufficient personnel to provide for specialization in equal employment activities. As a consequence, small employers sometimes were not aware of minority recruitment sources, nondiscriminatory testing and selection procedures, or other means of establishing compliance with Title VII.

FORM OF DISCRIMINATION

Discrimination charges which involved complex and costly issues—segregated lines of progression, back-pay settlements, strong personal issues such as discharge and promotion—were likely to result in unsuccessful conciliation. Less costly issues—discriminatory hiring, selection and recruitment procedures, unequal conditions of employment including segregated facilities—were more likely, however, to be settled through conciliation. When sizeable monetary or nonpecuniary costs were involved respondents generally appeared more willing to risk the threat of civil suit and court imposed settlement.

RESPONDENT SIZE

As noted previously, the outcome of conciliation was generally less satisfactory among small firms. In small firms lines of progression are frequently undefined and no formal structure exists for upgrading. Hiring and selection is less formal and more likely to be subject to discriminatory practices. Moreover, small firms function, in general, in highly competitive product markets and are less willing to accept costly conciliation settlements. Finally, larger firms are able to allocate specialized resources to compliance activities; compliance appears to respond favorably to this specialization.

THE OFCC AND ENFORCEMENT POWER

Although the Commission had no enforcement power of its own through 1971, another federal agency did. The U.S. Office of Federal Contract Compliance (OFCC), created to administer Executive Order

11246 prohibiting discriminatory employment practices, could debar a federal contractor from doing further business with the government or its agents. Seven of the 14 respondents interviewed were also federal contractors. The influence of the OFCC on compliance activities of the EEOC, nevertheless, seemed largely a function of the relative importance of federal contracts to respondents total sales.

Two of the 7 firms, one in aerospace and one in ordnance, were almost completely dependent on federal contracts. The others were not. Where deficiencies in equal opportunity programs of the aerospace and ordnance firms were observed, substantial effort was made to modify them through conciliation. No similar results were observed among other federal contractors, however. For a number of these contractors, the loss of government business would have offered minor inconvenience, but no real loss.

Organizational Structure and Respondent Preferences

The means by which management communicates policy to those responsible for its enactment and the degree of their accountability for carrying it out appear important in determining the impact of conciliation on minority employment. In view of this, the length and breadth of a respondent's line-staff structure might be assumed important. The evidence gathered from respondents, however, suggests that the influence of this variable was small. The impact of conciliation reduces to how strongly respondents choose to pursue the goal of fair employment. Where respondents are guided by this objective, extensive organizational structures have not been an impediment to success.

To be effective fair employment policies must be communicated to all personnel, and, most important, a means of feedback and accountability provided. Too frequently, if the cases in this study are typical, communicataion is one-way: feedback to the higher echelons of management occurs once a year when minority employment reports are prepared for the EEOC. Effective fair employment policy clearly requires full-time effort.

The Impact of Compliance Activities on Minority Employment

In the period immediately following enactment of Title VII employment data were collected from firms subject to the law. The data reveal that minorities' share of total employment for men and women in the U.S. grew, if only slightly, in the three years following the first reporting (see Table 2). Although the increase for women among Spanish-surnamed Americans, Orientals, and American Indians paralleled that for men, the change for black women substantially sur-

TABLE 2

Percent Minority and Anglo Employment by Sex within Occupations for U.S.: 1969 and 1966

Occupation and sex	Total employment		Anglo		Black		Spanish-surnamed Americans		Oriental		American Indian	
	1969	1966	1969	1966	1969	1966	1969	1966	1969	1966	1969	1966
MEN AND WOMEN												
Total all occupations	28,517,912	25,697,560	86.4	88.7	9.5	8.1	3.2	2.5	0.7	0.5	0.3	0.2
Manager	2,537,815	2,096,605	97.1	98.1	1.5	0.9	0.8	0.6	0.4	0.3	0.1	0.1
Professional	2,336,079	1,704,859	94.9	96.5	2.1	1.3	1.0	0.8	1.8	1.3	0.1	0.1
Technical	1,238,454	1,148,763	91.1	93.5	5.6	4.1	2.0	1.3	1.1	0.9	0.2	0.2
Sales	2,450,065	1,843,629	93.4	95.7	4.0	2.3	1.8	1.4	0.5	0.4	0.3	0.2
Clerical	4,922,442	4,284,455	90.6	94.1	6.1	3.5	2.3	1.6	0.8	0.6	0.2	0.1
Craftsmen	3,875,687	3,657,090	91.5	93.9	5.0	3.6	2.7	2.0	0.5	0.3	0.3	0.2
Operative	6,701,006	6,533,174	81.6	85.6	13.4	10.7	4.3	3.1	0.3	0.3	0.3	0.2
Laborer	2,600,172	2,490,730	69.6	71.9	21.7	21.0	7.6	6.1	0.5	0.5	0.5	0.4
Service	1,856,192	1,971,221	66.6	72.0	26.9	22.9	5.2	4.0	1.0	0.8	0.3	0.3
MEN												
Total all occupations	18,857,334	17,536,910	86.6	88.5	9.2	8.3	3.3	2.5	0.6	0.5	0.3	0.2
Manager	2,280,136	1,888,419	97.4	98.2	1.3	0.7	0.8	0.6	0.4	0.3	0.2	0.1
Professional	1,795,843	1,456,938	95.8	97.1	1.4	0.8	1.0	0.6	1.7	1.2	0.1	0.1
Technical	928,577	787,302	93.5	95.5	3.4	2.2	1.9	1.3	1.0	0.8	0.2	0.2
Sales	1,456,455	1,137,133	94.3	96.9	3.4	1.5	1.7	1.1	0.5	0.3	0.2	0.2
Clerical	1,204,556	1,181,741	90.2	94.1	5.9	3.3	2.9	1.9	0.8	0.6	0.2	0.1
Craftsmen	3,612,220	3,405,872	92.0	94.2	4.7	3.4	2.5	1.8	0.4	0.3	0.3	0.2
Operative	4,753,312	4,711,790	81.3	85.0	13.8	11.5	4.2	3.0	0.3	0.2	0.3	0.2
Laborer	1,877,634	1,887,404	67.6	69.8	23.5	23.0	7.8	6.2	0.5	0.5	0.5	0.4
Service	948,601	1,113,314	64.4	70.7	27.5	23.3	6.6	4.9	1.2	0.9	0.3	0.2
WOMEN												
Total all occupations	9,660,578	8,160,650	85.8	89.0	10.1	7.8	3.1	2.4	0.7	0.6	0.3	0.2
Manager	257,679	208,186	94.6	96.6	3.5	2.1	1.1	0.8	0.5	0.4	0.3	0.2
Professional	540,236	247,921	92.1	93.2	4.5	4.4	1.2	0.9	2.1	1.2	0.2	0.2
Technical	309,877	361,461	84.0	89.2	12.2	8.1	2.3	1.4	1.3	1.1	0.2	0.2
Sales	993,610	706,496	92.2	93.9	4.9	3.5	2.0	1.9	0.4	0.4	0.4	0.3
Clerical	3,717,886	3,102,714	90.8	94.1	6.1	3.6	2.2	1.5	0.7	0.6	0.2	0.1
Craftsmen	263,467	251,218	84.9	89.2	9.2	6.2	4.9	3.8	0.5	0.4	0.5	0.4
Operative	1,947,694	1,821,384	82.4	97.4	12.5	8.8	4.3	3.3	0.4	0.3	0.4	0.2
Laborer	722,538	603,326	74.9	78.7	17.1	14.9	7.0	5.7	0.7	0.5	0.3	0.3
Service	907,591	857,907	68.9	73.7	26.2	22.5	3.7	2.9	0.8	0.6	0.3	0.3

Source: U.S. Equal Employment Opportunity Commission, EEO-1 Reports.

passed that of men. By occupation, minority men and women made persistent if unspectacular gains. Blacks and Spanish-surnamed Americans, while achieving important gains among white-collar and skilled employment, remained heavily underrepresented in these occupations in 1969 and overrepresented in low-paying operative, laborer, and service classifications.

As outlined herein, minorities' share of employment and occupational position in relation to Anglos' increased slightly following enactment of Title VII, but emphasis has to be placed on *slightly* rather than *increased.* Fundamental differences appeared in these patterns between men and women, particularly among blacks. Although not included here, perhaps more importantly, three years after these data were first reported, the same patterns, by minority groups and by sex, persisted both within and among regions.

Using these data and a paired observation t-test, effort was made to determine statistically whether a sample of firms involved in successful conciliation with race as an issue in 1967 and 1968 demonstrated greater improvement in minority employment than similar firms not involved in compliance activities. Each respondent was paired with a control group of firms not involved in compliance activities but which drew their labor from the same labor market as the respondent and sold their product within the same product market. Pre- and post-conciliation minority employment patterns of the two were then compared statistically.

The results indicate that on the average there was little perceptible difference in changes of minority employment status between firms involved in successful conciliation and similar firms who were not. The "distribution effect" of Title VII perhaps made this difference difficult to measure by creating an atmosphere favorable to employment changes in many firms; even so, the general changes in minority employment observed above in Table 2 were less than overwhelming. If conciliation had made a real impact, it should have shown up in these data.

Conclusions

The results of this study suggest that fair employment legislation is a necessary but not a sufficient condition for the elimination of unequal employment opportunities. The plight of those affected by discriminatory employment practices is too profound to be cured by even the most vigorous use of compliance procedures under Title VII. Overt discrimination at the point of hiring and upgrading is but one part of a large problem. The expansion of opportunities for disadvantaged members of the labor force requires comprehensive programs and policies that include attention to economic development, education, manpower, housing, health, and income maintenance systems.

The elimination of discriminatory employment and referral practices through successful conciliation, however, has yielded positive benefits, over and above relief to charging parties, to the employment of minority groups and women in specific cases. Not as often as one would like, perhaps, but sometimes. There are a number of steps that the U.S. Equal Employment Opportunity Commission could take to improve the compliance process. Such improvement is important for two reasons. First, enforcement power accorded the EEOC by the Equal Employment Opportunity Act of 1972 will, in all likelihood, place new emphasis on voluntary compliance procedures through enlarging the expected cost of conflict to respondents. Voluntary compliance, in turn, is important because it helps promote an atmosphere conducive to change. Legal proceedings were useful in the early days after the Act to define and give meaning to the legislation, but serve now to increase the costs and delays to both parties.

Among recommendations offered the EEOC to improve compliance procedures were those to support development of a discrimination identification system utilizing employer data as reported annually. The system would allow an allocation of Commission resources, where consistent with the principle of private redress, on a worst-first basis. Other recommendations included specific steps to insure the professional conduct of the compliance procedure and its representatives; the expansion of the Commission's technical assistance and compliance review programs; and the review of the pre-decision settlement procedure to determine what, if any, encumbrances impede prompt voluntary compliance efforts.

Compliance procedures under Title VII of the Civil Rights Act of 1964 are but a small part of the total drive for equalizing employment opportunities in this country. These procedures nevertheless fill a definite role in increasing the freedom of occupational choice for many individuals at the present time, and they should be strengthened whenever possible. The recommendations offered are devoted to that purpose.

Federal Compliance Efforts in the Carolina Textile Industry: A Summary Report

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The textile industry in North and South Carolina stood at the end of the fifties as an archetype of the segregated patterns of Southern employment.[1] Over the period of the sixties the industry radically changed its attitudes toward racial hiring. Black employment rose from less than 15,000 in 1960 to 61,055 in 1969, a gain from 4.6 per cent black participation to 14.1 per cent. Dire predications to the contrary, firms have experienced no difficulty in personnel relations when black supervisors have been put in positions of authority over whites. Black workers have been promoted into jobs long barred racially, such as loom fixers, weavers, spinners, and doffers.

Why did these changes occur in the industry: Was it because (A) economic expansion forced textile companies to turn to the only remaining labor supply, black workers or (B) enforcement of government policy regarding equal employment opportunity was effective in provoking employers to hire black workers or (C) a change in community mores regarding the acceptable patterns of black employment grew out of the civil rights era?

In 1970, the Department of Economics and the Center for Manpower Research and Training of North Carolina A & T State University were asked to investigate these alternative hypotheses concerning black employment in the textile industry of North and South Carolina. Surveys were taken among random samples of black and white textile workers, and among textile employers, government officials, trade union groups, and civil rights leaders.[2] In addition, EEO-1 reports filed by all Carolina textile employers with the Equal Employment Opportunity

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[1] See Herbert J. Lahne, *The Cotton Mill Worker* (New York: Farrar and Rinehard, 1944); Donald Dewey, "Negro Employment in Seventy Textile Mills," in National Planning Association, *Selected Studies of Negro Employment in the South* (Washington, D.C. National Planning Association, 1955); and Donald D. Osburn, *Negro Employment in the Textile Industries of North Carolina and South Carolina*, Equal Employment Opportunity Commission, Research Report 1966 #70, November 2, 1966 (Washington, D.C.: The Equal Employment Opportunity Commission, 1967).

[2] The researchers, Sidney H. Evans, Alice E. Kidder, Michael E. Simmons, and D. Pepper Smith, interviewed 233 textile workers from eight cities, of whom 181 or 78 per cent were black. Forty-two companies, twenty-eight per cent of those requested, granted interviews to the research team. The full report on the study, to be released by the Equal Employment Opportunity Commission, is entitled *Changes in Minority Participation in the Textile Industry of North and South Carolina, 1966 to 1969.*

Commission (EEOC) in 1966 and 1969 were examined, and data collected on all instances of government activity to enforce equal employment opportunity during the period 1966–1969.

The Labor Market Hypothesis

Several authors stress the prime importance of the tight labor market of the mid-sixties in bringing about the inclusion of black workers in the textile industry.[3] A number of company officials interviewed expressed the same belief. A common presentation of the argument notes that employers hire previously "marginal workers" (blacks) when white males move to more lucrative jobs in the expanding durables and chemical industries of the Carolinas.

The findings of this study are at variance with this hypothesis. The labor market no doubt played a significant role, but it is clear that the textile industry could have found white workers to take the 20,000 jobs added in the mid-sixties in textiles had it been determined to do so. Labor force participation of white women was increasing, and based upon unemployment data, one can find an estimated 16,000 white workers "available" for work in the textile industry in these two states.

The timing of major breakthroughs in racial hiring practices occurs in the period 1963–1965, prior to the drop in unemployment rates below four per cent. Furthermore, there were periods of tight labor markets in the early fifties, but these times were not accompanied by major breaking of black employment barriers. See Table I.

Further evidence of the incompleteness of the labor market explanation comes from a study of relative wages over the period 1964–1969. Although it appears that textile wages were increasing in the mid-sixties, as Osburn notes, they were merely holding their own relative to other industries. See Table II. The exodus of white male workers is small (perhaps as many as 5,000 workers) and labor outmigration fails as a general explanation for the need to hire the additional 26,400 black workers hired from 1964–1969.

Regression analysis done on a cross section basis shows that unem-

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[3] Richard Rowan contends, ". . . Unlike the situation in other industries such as paper, Negroes would have been hired in textile mills without government pressure in the 1960's. The labor market brought the major change." Richard L. Rowan, *The Negro in the Textile Industry*, The Racial Policies of American Industry, Report No. 20 (Philadelphia: Industrial Research Unit, Department of Industry, Wharton School of Finance and Commerce, University of Pennsylvania, 1970) p. 135.

Donald Osburn also stresses the function of the labor market. "Since 1960, the influx of new industry has created a tight labor market and whites have been moving from textiles to higher paying industries. As a result, the textile mill products industry has had to raise wages and hire Negroes to meet its labor needs." Osburn, *op. cit.*, p. vi.

TABLE I

Textile Employment and Unemployment
1950–1968

Year	*Average Unemployment Rate*[4]	*Black Participation Percentage*[5]
1950	3.3	4.8
1951	2.9	4.8
1952	3.0	4.8
1953	3.1	4.7
1954	5.0	4.7
1955	4.0	4.7
1956	4.1	4.7
1957	4.3	4.8
1958	5.6	4.7
1959	3.9	4.7
1960	4.5	4.7
1961	5.3	4.7
1962	5.3	4.6
1963	5.2	4.8
1964	4.8	5.0
1965	4.2	5.7
1966	3.2	6.2
1967	3.4	10.1
1968	3.2	14.2

[4] North Carolina Employment Security Division. Data for North Carolina.

[5] Department of Labor of the State of South Carolina, *Annual Report,* 1968 Data for South Carolina. No series available for North Carolina.

TABLE II

Index of Relative Earnings: Textile/Total Manufacturing
1950–1969

Year	*North Carolina*	*South Carolina*
1950	105	106
1951	105	106
1952	104	105
1953	102	103
1954	101	102
1955	101	102
1956	99	99
1957	99	99
1958	97	99
1959	98	101
1960	98	101
1961	97	99
1962	97	99
1963	96	99
1964	97	100
1965	98	101
1966	98	101
1967	97	100
1968	97	99
1969	97	99

U. S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings: States and Areas 1939–60* pp. 408–11, pp. 502, 503, Detailed state and area statistics, average weekly earnings.

ployment rates by county are not significant predictors of change in black participation rates among firms reporting to the EEOC. Actually, counties with higher unemployment rates are more likely to show increases in black participation in textile employment, since these counties are more likely to have a higher black participation in textile. The more powerful explanation of change on a cross section basis appears to be the presence of a black population.

The author concludes that the increased economic activity in textiles in the mid-sixties was probably a necessary, but not a sufficient condition for change.

The Government Activity Hypothesis

There have been at least three types of government activity to promote equal employment opportunity in the textile industry of North and South Carolina:

(1) the compliance review of the Office of Federal Contract Compliance, taken in conjunction with the compliance activities of the principal interest agency for textiles, the Department of Defense. The OFCC activities relate only to government contractors.

(2) the compliance system of the Equal Employment Opportunity Commission. Under this system, over 500 cases of alleged discrimination have been charged against the Carolina textile industry.

(3) the EEOC technical assistance program of "jaw-bone" exhortation to the industry, coupled with public awareness campaigns, and consulting with industry.

THE OFFICE OF FEDERAL CONTRACT COMPLIANCE

In the case of textiles, in 1967, the OFCC investigated the employment practices of the largest ten textile producers. For several months in 1968, defense contracts were withheld from three companies. Under political pressure from civil rights groups, these three companies soon put into effect a crash program of affirmative action. Data sent to the Equal Employment Opportunity Commission show dramatic increases in black participation between 1968 and 1970. For example, the gains amounted to 126 per cent, 100 per cent, and 76 per cent increases in minority women's employment at a time when overall employment was decreasing for one firm and increasing by no more than seven per cent for the other two. The net increase in minority women in these three firms was approximately 2,700, over a base figure of approximately 3,000 in 1968. Overall, total minority increase was about 4,600 persons, a gain of thirty-seven per cent over the base figure in 1968. *Total* employment in these three companies rose by only three per cent over the period.

The OFFC has severe constraints on the resources available to enforce affirmative action programs, however. Determinations of compliance are made prior to issuance of a contract, only when the size of the contract is $1 million or more. Otherwise, the company may or may not be visited and its programs examined. The author was told that about one half of the textile companies with government contracts were visited during the period of the study. It is not surprising, therefore, that the presence of a government contract did not show up as a statistically significant correlate of increased black participation rates.

The EEOC Conciliation Process and Textiles

According to the legal philosophy of Title VII, illegal discrimination against black workers (and others) is to be remedied in the courts. Charges are first heard by the EEOC, which makes a determination of whether there is "probable cause" to believe that discrimination has occurred. Cases can be passed on to the courts for final adjudication, if conciliation fails. As yet, no charge from 1965 or 1966 involving a textile employer, union, or employment agency referral to textile employment has resulted in a court award finding anyone guilty of denying equal employment opportunity.

Yet the evidence is suggestive of substantial denial of equal employment access to blacks during this period. Black employment rose from six percent in 1965 to nearly fourteen percent in 1967, suggesting that forestalled access was present in the earlier year. As noted above, the OFCC uncovered substantial evidence of racial discrimination in selected companies. Additionally, the white workers sampled in the interview phase of the project agreed that blacks do not in general receive equal treatment with whites. Finally, black employment at professional levels was miniscule; yet the majority of firms had no aggressive recruiting program on college campuses to attract black applicants. The latter point still holds today.

Why is it that Title VII procedures did not result in court action to end denial of equal employment opportunity? Some cases were not *bona fide*. But more significantly, there is a complex web of regulations which has the effect of shrinking the number of original charges brought. Consider the fate of the original 118 charges involving 260 charging parties, brought against Carolina textile firms in the period 1965–66:

Closed because of failure to proceed	40
Closed because of lack of jurisdiction	21
Closed because of other reasons	12
Sent on for consideration by the Commission	45
Total	118

Of the total of 45 cases which were considered by the Commission only ten were successfully conciliated:

Not found to have probable cause	28
Found to have probable cause:	
Successfully conciliated	10
Unsuccessfully conciliated	7
Total	45

Of the total cases not successfully conciliated, *none* was taken to court.

The 73 cases which were never considered by the Commission because of closure were eliminated following rules and regulations governing the Commission. Forty were eliminated because of "failure to proceed." At some point, the charging party failed to respond after the initial charge was made. Perhaps no affadavit was secured, or no answer was given to the letter asking for an appointment with the field investigator. The process of filing a legal charge and swearing to the charge no doubt leads to fears of employer reprisals. Many drop their case at this point. In other instances, fear that one did not have a *bona fide* case may have led to a dropping of the charges.

Twenty-one cases were found to be outside the jurisdiction of the Commission. In 1965 and 1966, employers with less than 100 employees were not subject to the act. Yet half of the textile firms in the Carolinas had less than 100 employees.[6]

One may list the deficiencies in the current approach to equal employment enforcement. A violation of the law must be demonstrated on a case-by-base basis with evidence in hand. Black textile workers interviewed in this study noted that discrimination is an *intangible sequence of events* which leads to fewer blacks getting told about promotion opportunities, fewer blacks being put through the training process, fewer blacks making it into professional ranks. It is hard to pin down a specific event in one or more persons' careers and show categorically that *here* (and not elsewhere in the sequence) is where discrimination occurred.

The process is time-consuming. Delays in handling cases have previously run as much as nine months, although the new expediting procedures have cut the time between complaint and investigation to a matter of a few weeks. Each new round of "red tape" exacerbates the charging parties' skepticism of the system.

Finally, decisions of cause or no cause are based entirely upon the reports compiled by field investigators, who are employed at a relatively low GS rating. There is no hearing at which testimony is brought by both sides, as would be true in the case of labor arbitration. Companies have been reluctant, in some cases, to furnish records on the pattern of racial employment in their companies. Although the Commission has the power to subpoena records, the delays involved may be considerable.[7]

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[6] Coverage of Title VII has been expanding over time. In 1965 the act covered firms with 100 or more employees. The latest amendment to Title VII brings the coverage down to fifteen or more employees.

What is at stake is the credibility of the system of enforcement. Potential charging parties interviewed in the textile study were in the main unaware that any remedies existed (84%) and of those knowledgeable of the remedy process most were skeptical that it could accomplish any result.

Employers on the other hand are in the main convinced that the policies and procedures of the Commission have been fair. Of the companies interviewed, eighty per cent thought the EEOC to be fair in its policies, and recommended no change in the existing law. One should note, however, that approximately fourteen percent of eligible Carolina textile employers did not report their employment figures to the Commission in either 1966 or in 1969, despite the fact that they were required by law to do so.[8]

A test was run to see whether companies against which charges had been lodged in 1965–1966 were more likely to have increased black participation than other companies. In fact, the reverse was true; the presence of charges was negatively correlated with subsequent increases in black employment.

THE EEOC TECHNICAL ASSISTANCE PROGRAM

In January, 1967, in Charlotte, N.C., the EEOC held a public forum on minority employment in the textile industry. Allegations of widespread denial of equal employment opportunity were given press publicity. Only two industry spokesmen were present, however. By 1970, most employers interviewed did not recall the Forum. In the subsequent months of 1968, the technical assistance program sponsored a large number of visits directly to textile firms.[9] These visits paved the way for voluntary cooperation with the objectives of Title VII.

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[7] See U. S. Commission on Civil Rights, *Report 1971*, pp. 105–106. Dissatisfaction with Commission procedures led one complainant, the United Packinghouse, Food and Allied Workers, to file an unfair labor practices charge of racial discrimination with the NLRB.

[8] Both neglect and ignorance of Title VII reporting requirements may account for this high non-response rate. It should be noted that the EEOC does not have sufficient funds to hire staff to ensure adequate reporting coverage.

[9] In North Carolina, about one-third of the units reporting to the Commission were visited by the North Carolina Good Neighbor Council. In South Carolina, approximately seventy-five per cent of the reporting units were associated with companies receiving visits from representatives of the Commission.

The statistical analysis of where increases in black employment took place in the period 1966–1969 showed that firms visited by the technical assistance program were more likely to show increases in black employment than firms not visited. The effect was not uniform but on the average firms visited later experienced about eight percent greater increase in black participation than the average for companies not so visited.

The effect of technical assistance visits seems most productive of increased minority participation in the employment of women. The rate gain is approximately double that for the whole group. In one area, also, there is an appreciable impact from technical assistance visits: the employment of black professionals. In a few instances, new recruiting techniques appear to have been introduced which resulted in an increase in black professional employment.

Summary and Conclusions

Black labor's access to jobs in the Carolina textile industry shifted dramatically during the decade of the sixties. The textile mill products industry had until 1960 been characterized by nearly total exclusion of black workers from all but the most menial or service classifications. In the decade that followed, black employment participation rose markedly from 4.6 percent to 14.1 percent of the total. Blacks are now routinely employed in production work, and in some cases have become supervisors.

Economic buoyancy occasioned by the increased demand for textiles accompanying the Vietnam War buildup has been cited by some authors as the crucial explanation for the change. The data from this study show, however, that economic expansion was only a necessary, not a sufficient condition for the change in black participation. The timing of racial breakthroughs occurred earlier than the tightening of the labor market in the mid-sixties. Further, whites could have been found to take the new jobs, had companies decided to fight integration. Finally, earlier tight labor markets in the fifties had not produced racial hiring breakthroughs.

Government activity to ensure equal employment opportunity is a partial explanation of the change. Federal attentions through the Office of Federal Contract Compliance and the Department of Defense have played a dramatic role in a few cases. Questions raised in 1969 about the affirmative action programs of three major textile government contracts were followed by a 37 percent increase in black employment at a time when these companies were holding total employment constant or even retrenching. In women's employment and the employment of black professionals, the technical assistance efforts of the Equal Employment Opportunity Commission show up with a positive effect in selected cases.

It is difficult, however, to attribute the massive change in black employment participation to *legal enforcement* of Title VII upon designated violators of the act. Companies against whom charges were preferred in 1965 and 1966 were *less* likely than the average to have increased black employment by 1969. As of December, 1972, of the 260 persons lodging complaints of discrimination in textile employment in 1965 and 1966, *none* has received a verdict in the courts. Many cases were dropped en route to the courts, and some were ruled out of order by the Commission. Only ten textile cases have been successfully conciliated.

An important element in the explanation of change is the change in community values and social mores stemming from the early civil rights era. There is a pervasiveness of a new climate of opinion among textile employers regarding the employment of black workers. Industry spokesmen profess the ideals of equal employment opportunity, but shun prescriptions for aggressive action to seek out black workers. Thus, the civil rights era opened the doors to black employment at entry level jobs, but did not result in substantial inroads in the professional and other white collar positions.

The author believes that many black textile workers perceive that there is frequent denial of equal employment opportunity. Lack of awareness of remedies, or skepticism about the speed or result of the EEOC procedures, leads to a disuse of the remedies available.

The Effectiveness of EEOC Policy in the Construction Industry

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During the 1960's the federal government initiated efforts to eradicate the racially discriminatory practices of employers and labor unions in the construction industry. The brunt of the government's compliance efforts fell upon three agencies: the United States Department of Justice, the Office of Federal Contract Compliance (OFCC), and the Equal Employment Opportunity Commission (EEOC). While Justice and the EEOC attempted to enforce the legal obligations established by Title VII of the Civil Rights Act of 1964, the OFCC administered the anti-discrimination provisions of federal contracts pursuant to federal executive orders.

The focus of this paper is to examine how effective the EEOC was in eliminating the racially discriminatory practices of building trades unions. The period under scrutiny is fiscal years 1966–1968 when the EEOC's remedial authority was limited to "informal methods of conference, conciliation, and persuasion."[1] The Commission then had no enforcement authority; it could neither issue a cease or desist order nor initiate suits in federal courts. The only leverage the Commission could exercise in conciliation was to warn a respondent that his failure to conciliate might subject him to a suit brought by the charging party or the Justice Department. In effect, the Commission's remedial efforts were reduced to a policy of moral suasion, or inducing respondents that their best interest lay in voluntary compliance.

In attempting to eliminate racially discriminatory practices of craft unions, the Commission sought to execute settlement agreements which were designed to achieve three objectives: a) elimination of exclusionary barriers, b) direct and immediate relief to the complainant and similarly situated individuals, c) affirmative union action to promote minority entrance into the trade. These objectives would be sought in all cases involving union exclusion of minority workers from either membership, apprenticeship training programs, or from referral opportunities.

For example, when dealing with an all or nearly all-white local, the Commission intended to eradicate the following union practices which while neutral on their surface have been used as exclusionary devices:

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[1] Civil Rights Act of 1964 sec. 706(a), 42 U.S.C. sec. 2000e-5(a) (1970).

1) requirements for admission based on recommendation or endorsement by present members, relationship by blood or marriage to present members, or election by members; 2) non-validated tests, 3) referral preferences based upon a worker's membership in a labor organization, seniority within the union, work for a union contractor, or length of experience in the trade; 4) selections from waiting lists compiled when the union was excluding minority workers; 5) word-of-mouth recruiting of members and apprentices.

Concerning its affirmative action obligation, a local union which was proven to have excluded minorities, would be required to establish direct contact with the minority community. These contacts would include advertisements in minority news media and periodic meetings with guidance counselors of minority schools, and would be used to explain the employment opportunities available through union channels and the procedures individuals would have to follow to gain entry. In this manner, craft unions would dispel the discriminatory image that they helped foster and which operates to discourage minority entrance into the trade.

Additionally, to promote minority employment the Commission attempted to modify exclusive referral systems by allowing employers to recruit minority workers directly. Once recruited, the employer would notify the union which would then refer the workers back to the employer. This type of relief was motivated by the realization that even following a conciliation agreement, members of the minority community might suspect the good faith of the local union and eschew utilization of the hiring hall. Therefore, the Commission attempted to open up work opportunities to qualified Negroes who heretofore were barred from employment with union contractors and who otherwise might still fail to obtain employment by their reluctance to use the union hiring hall.

The final remedial element in union exclusion cases concerned the direct relief that would be extended to discriminatees. As part of any conciliation agreement, the union would be compelled to immediately admit as members or as apprentices and refer all qualified minority applicants whose previous efforts had been rejected.

On paper, the Commission's remedial policy appeared vigorous. The remedies themselves were sufficiently broad in scope and impact, which if implemented would to a large degree have eradicated major barriers to minority admission and referral. Admittedly, the remedies themselves were not all together free of deficiencies. No effort was made to provide back pay to minority workers denied referral. Nor did the Commission seek to insure a specific minority participation level in any program.[2] Yet, the problem with Commission's compliance efforts was not one of weak remedies. Rather, it was one of inadequate, indeed non-existent enforcement authority. Thus, the Commission's remedial efforts were generally frustrated by the refusal of building craft unions to execute settlement agreements providing relief to complainants and the affected class.

Between July 1965 and June 1968 the Commission completed conciliation efforts in approximately 14 cases involving building craft unions which were charged with excluding Negro workers.[3] In 12 of these cases the conciliation records were located and examined to determine the effectiveness of the Commission's conciliation efforts.[4] A preliminary test of the Commission's remedial efficacy was its success or failure in executing settlement agreements which incorporated those measures necessary to eradicate trade union discrimination. Additionally, follow up studies were initiated to gauge the impact that the local union's acceptance or rejection of a settlement agreement had upon the employment status of minority workers

Remedial Efforts in Union Membership Cases

In eight cases local craft unions were found to have excluded Negro workers from admission. The following table lists the total number of Negro and white union members in each of these locals at the time of

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[2] These omissions are better understood in the context of the still rudimentary development of civil rights laws affecting discriminatory construction practices. Between 1966 and 1968 the courts had not yet ruled that the establishment of a minority participation rate in referrals and job apprenticeships was either appropriate or necessary to provide blacks with employment opportunities from which they had previously been excluded. See for example, Contractors Association v. Shultz 311 F. Supp. 1002 (E.D. Pa. 1970), *aff'd.*, 422 F.2d 159 (3rd Cir. 1971), *cert. denied*, 404 U.S. 854 (1971) and *Weiner v. Cuyahoga Community College District*, 238 N.E. 2d 839 (Ohio Ct. of Common Pleas 1968), aff'd., 249 N.E. 2d 907 (Ohio Sup. Ct. 1969), *cert. denied*, 396 U.S. 1004 (1970) where the above view was sustained. Nor during this period had the courts provided back pay relief to discriminatees in referral cases. In Title VII referral cases, the courts have generally limited the scope of their remedial orders to restructuring hiring hall eligibility requirements. See for example, U.S. v. Local 86, Ironworkers, 315 F. Supp. 1202 (W.D. Wash. 1970) and Dobbins v. Local 212, IBEW, 292 F. Supp. (S.D. Ohio 1968).

[3] This figure is based upon statistics compiled by the EEOC's Conciliations Division for fiscal years 1966 through 1968.

[4] The total number of unions involved in these 12 cases is 14 while the total number of violations they committed equals 23. Thus some locals engaged in multiple violations and one case involved three separate craft unions. The statistical breakdown of the violations is as follows: in four cases, unions excluded blacks from admission, apprenticeships, and referral. In one case, the local union denied blacks apprenticeship and referral opportunities. In four cases, unions blocked the admission of blacks into membership, while in the remaining three one of which involved 3 separate craft unions, the unions excluded blacks from apprenticeship training programs. In the following discussion, we will examine separately the Commission's efforts to remedy each type of craft union violation.

TABLE 1
Negro Membership in Selected Building Craft Unions

Case No.	At Time of Investigation		3–12 Months Follow Termination of Conciliation Effort	
	Union Memb.	Negro Memb.	Union Memb.	Negro Memb.
1	224	0	230	0
2	551	0	517	0
3	618	0	682	0
4	773	3	780	7
5	6000	1%•	6375	23
6	72	0	81	4
7	300	0	345	35
8	329	0	340	3

• The local union failed to maintain membership records by race, contending that state laws prevented any record-keeping whereby Negroes and whites would be counted separately. The Commission found that no such state law existed. The figures for this union on Negro and total union membership are based upon a rough estimate of the local's business agent.

Source: EEOC Regional Investigation Reports and EEO-3 Union Membership Reports, Interviews with Charging Parties.

the EEOC's investigation and for the time period following the conciliation effort.

In seven of the eight cases, agreements were not executed, and in these cases union rejection of the EEOC's settlement proposals generally meant continued exclusion of Negroes. Thus in the first five cases cited, the local unions refused to implement any remedial measures, taking the position that no discrimination had occurred. Data on the racial composition of the membership of these local unions for the period following the conciliation effort showed the continued absence of Negroes from membership. The continued exclusion of Negroes is highlighted when we note that the conciliation effort typically occurred over eighteen months after the initial investigation had been made. In none of these cases were the charging parties admitted into membership.

In two cases where agreements were not obtained (cases 6 & 7) some limited progress was achieved. In both charging parties were admitted into the union following the settlement effort. In the sixth case, however, the local refused to validate its admissions test which previously had had a disparate effect on minorities and was unwilling to contact minority organizations to encourage minority entrance.

The seventh case was unique and somewhat of an anomaly. Here, conciliation was attempted even before a cause decision was rendered. Following the field investigation, the conciliator met with the local union officials and verbal agreement was reached to have the local union process fairly the applications of Negro workers. Two of the four charging parties were immediately admitted, and two others were promised admission once they passed the journeymen's examination. Within a twelve month period following conciliation, additional Negro workers were admitted, raising the minority component to 35 out of a total membership of 345.

In the single agreement case, (case no. 8) the Commission initially succeeded in achieving two of its three remedial objectives. Under the settlement, the local union agreed to admit the three charging parties and to establish contact with minority organizations. However, the Commission failed to eliminate significant institutional procedures which promoted the exclusion of Negroes. A non-job related admissions test was left intact. Additionally, the union failed to abide by the agreement's requirement to file with the Commission reports on its efforts to recruit minority journeymen. A year following the execution of the agreement there were still only three Negroes in the local out of a total membership of 340.

Remedial Efforts in Apprenticeship Cases

There were eight cases in which Negroes had been excluded from apprenticeship training programs.

In conciliation, the Commission's remedial objectives paralleled its remedies in admission cases: 1) elimination of barriers, 2) relief to charging parties, 3) affirmative union action. No success was achieved in obtaining these results. In all eight cases the local unions rejected the Commission's settlement efforts and refused to make any real concessions. For example, they defended their use of oral interviews and non-validated tests as legitimate admission criterion, and made no effort

TABLE 2

Negro Apprentices in Selected Building Craft Unions

	At Time of Investigation		3–12 Months After Close of Conciliation Effort	
Case No.	Total No. of Apprentices	Negro Apprentices	Total No. of Apprentices	Negro Apprentices
1[d]	26 14 23	1 0 0	34 13 38	2 0 1
2	100	0	139	2
3	64	0	64	0
4	111	2	121	2
5	96	0	124	2
6	—[a]	1	240	18
7	—[a]	1%[b]	NA[c]	NA[c]
8	94	0	97	0

Source: EEOC Regional Investigation Reports and EEO-2 employer-union apprenticeship Reports; Bureau of Apprenticeship and Training Apprenticeship Reports.

[a] EEOC investigator failed to note the total number of apprentices in the program.

[b] Estimate of local union.

[c] Data on this union was unavailable.

[d] In this one case, the EEOC processed complaints against three craft unions.

to eliminate preferences afforded relatives of union members or to promote minority admission. The continued exclusion of Negroes from these unions' apprenticeship programs is revealed in the following table.

In seven of the eight cases for which post-conciliation data is available, it is evident that the Negroes were present in only token numbers over a year after the EEOC had determined that these unions' apprenticeship practices were discriminatory. In the one case (no. 6) where some improvement is noted, the local union began to admit blacks in significant numbers only after the Justice Department had instituted a title VII suit against it.

Remedial Efforts in Hiring Hall Cases

In five cases, unions were found to have excluded Negroes from referral. In these cases, the locals either refused to process the referral applications of Negro workers, failed to inform them of the proper referral procedures, or maintained criteria for referral by which preference was given to union members. The Commission failed to execute agreements in all five cases. The following table reveals that following the conciliation effort, Negro workers were still not being referred.

TABLE 3

Referred Negroes by Unions Operating Discriminatory Hiring Halls

	At Time of Charge		of Conciliation Effort 3–12 Months Following Close	
Case No.	Total Ref.[a]	Negro Ref.[a]	Total Ref.[a]	Negro Ref.[a]
1	—[b]	1%[c]	542	3
2	203	2	109	5
3	134	0	102	0
4	287	1	395	5
5	—[b]	0	1200	0

Source: EEOC Regional Investigation Reports and EEO-3 Referral Reports.

[a] Referral figures reflect the numbers referred within a given monthly period.

[b] EEOC investigator failed to reveal in his reports total number of workers referred.

[c] Estimate of EEOC investigator.

Some Concluding Observations

Overall 12 cases were examined in which building craft unions discriminated against Negroes by refusing them admission into membership, by excluding them from apprenticeship training programs, and by denying them equal referral opportunities. It is obvious that the Commission's remedial efforts met with little success. In the apprenticeship and referral cases, the local unions refused in all cases to execute agreements whereby they would agree to terminate the use of procedures which restricted minority entrance. These practices included preference to relatives of union members, utilization of non-validated tests, sponsor-ship requirements, and dissemination of information on apprenticeship and referral openings to union members alone. The charging parties in the apprenticeship and referral cases received no relief; they failed to obtain apprenticeship admission or referral. Similarly, little success was achieved in the union membership cases. Settlement agreements were executed in only 1 of 8 membership cases, and that agreement, while affording relief to the charging parties, failed to eliminate the discriminatory union practices underlying the complaint. Relief to charging parties was also generated in two nonagreement admission cases. Overall the Commission's intervention failed to bring about any change in the local union's discriminatory practices in 9 of the 12 cases.

What lessons can we draw from the Commission's conciliation experiences in the construction industry? Quite strongly, they suggest that a conciliation process alone will be incapable of eradicating deeply rooted and institutionalized union practices of discrimination. Such practices are not modified without some individual or group of workers being affected adversely, and it is this factor which underlies a respondent's refusal to settle. In the construction industry, union leaders and their constituencies have rejected change and reform as embodied in EEOC remedial proposals because of their perceived negative impact. From the perspective of the union worker, government efforts to determine who is to be admitted, referred, and apprenticed conflicts with the unions's objective of regulating entrance into the trade, historically the linchpin of the union's power base. EEOC remedial efforts heighten the craft worker's fear of a large influx of minority workers eroding his job opportunities. Furthermore, they weaken his property rights to the job which form the basis of nepotic standards of eligibility. Because union leaders in the construction industry must respond to these sentiments and concerns, their ability to execute settlement agreements is largely curtailed.

Significantly, while the acceptance of the EEOC's settlement proposals would have generated political and economic costs for the union, it is not true that a policy of non-compliance would have subjected the union to equivalent costs. The only leverage the EEOC could exercise in conciliations was the threat of a charging party or Justice Department suit. Yet, this threat was more theoretical then real, as only a small fraction of unsuccessful conciliation cases was ever litigated. Consequently, respondents had little incentive to settle.

It is likely that even had the threat of litigation been more apparent, many building craft unions would still have rejected the EEOC's remedial demands. In several cases examined, business agents acknowledged that membership support of current practices precluded their voluntary acceptance of a settlement agreement. In one case, the business agent informed the entire membership by letter of his intention to exhaust all forums of judicial appeal before modifying the union's policies.

Such a message is hardly surprising. NLRB experience in enforcing the unfair labor practice provisions of the Taft-Hartley Act demonstrate that there are always some respondents who will comply with their statutory obligations only when compelled to do so by court order. The Joy Silk employer who seeks to destroy a union's majority status via the unfair labor practice and litigation routes, notwithstanding the legal sanctions brought against him, is illustrative.[5] In the case of building craft unions, the political and economic implications of a settlement agreement may equally dictate a policy of non-compliance. Here, a government enforcement mechanism becomes indispensable. Recently, Congress amended the Civil Rights Act to give the EEOC authority to sue defendents in Federal courts. Given a committment to make vigorous use of its enforcement authority, the Commission's ability to remedy employment discrimination should be greatly enhanced.

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[5] For a complete discussion of NLRB's difficulty in executing settlement agreements with employers who reject valid union recognitional requests and then seek to undermine the union's majority position, see Benjamin Wolkinson, "The Remedial Efficacy of NLRB Remedies in Joy Silk Cases," *Cornell Law Review*, vol. 55, No. 4, November 1969, pp. 19–33.

DISCUSSION

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"Toward Fair Employment and the EEOC"—the Adams paper

Under Title VII of the U. S. Civil Rights Act of 1964, discrimination in employment by employers, labor organizations, and employment agencies on the basis of race, sex, religion or national origin is unlawful. In the process of administering Title VII, the EEOC attempts to secure voluntary compliance with the law through conciliation and persuasion. As the study examined EEOC compliance activities between 1966 and 1971, the 1972 amendment to Title VII giving the Commission direct access to the courts does not form part of the battery of compliance procedures available to the Commission during the study period. The legislative change might make the conciliation process more effective.

The main objective of the study was to analyze compliance procedures of the EEOC to determine whether these procedures, and the conciliation process associated with them, have effectively altered the employment opportunities of minority groups whose choices have historically been limited by discrimination. In order to attain this objective the study sought to identify factors associated with the success or failure of these procedures and to find ways for improving them should that be necessary.

The methodology used in the study is a combination of statistical techniques and case study analysis. Statistical techniques noted in the summary paper involved the construction of tables and passing reference to a paired observation t-test. No assessment can be made of the findings based on the paired observation t-test and the associated sample from the limited information available in the summary paper. In any event, there are important causal variables affecting the conciliation process which are difficult to quantify. Consequently, the study's findings are based on an amalgam of objective analysis utilizing statistical techniques, and subjective value judgements derived through the necessary use of description and verbal analysis within a case study framework.

The case study analysis of factors leading to success or failure of conciliation, and its subsequent effect on minority employment, involved only 14 respondents, all employers. This, coupled with the statistical analysis presented in the paper, makes the study's conclusion that fair employment legislation has limited effectiveness as a means to equal employment opportunity highly tentative at best. The study identifies the factors associated with the success or failure of compliance procedures, but fails to provide sufficient evidence to determine the impact of each factor on minority employment.

"Federal Compliance Efforts in the Carolina Textile Industry"—the Kidder paper

The Kidder study notes that black employment and black participation in employment increased sharply during the sixties in the North and South Carolina textile industry. It also claims that black workers have been promoted into jobs, formerly inaccessible owing to racial discrimination, in the production end of the textile industry.

The study seeks to determine whether these changes in the industry took place because (a) economic growth compelled textile firms to turn to the only remaining supply of labor, black workers, or (b) enforcement of government measures in the area of equal employment opportunity proved effective in leading employers to hire black workers or (c) a change in community values and social mores regarding the type of employment open to black workers emerged from the civil rights era.

Data used to support the findings in the paper were obtained from the universe of reports textile employers file with the EEOC, from government files of compliance actions, and from published sources. In addition surveys were undertaken among random samples of black and white textile workers, and among textile employers, government officials, trade union groups, and civil rights leaders. Researchers interviewed 233 textile workers from eight cities, of whom 181 or 78 percent were black. Forty-two companies (i.e., 28 percent of those requested) granted interviews to the research group. There would appear to be an inherent bias introduced into the research as the 28 percent who granted interviews would tend to be less discriminatory in employment practices than the 72 percent who refused interviews. In other words, the sample was neither representative nor random.

Insofar as the impact of the economic expansion of the mid-sixties on the employment of black workers in the Carolina textile industry is concerned, the fact that the data on average unemployment rates in Table 1 of the study apply to North Carolina while the data on black participation in the textile industry are for South Carolina clouds the findings to some extent. However, assuming the two sets of data are comparable, the author's statement that "the timing of major breakthroughs in racial hiring practices occurs in the period 1963–65 prior to the drop in unemployment rates below four percent" is open to question. The data in Table 1 apply to the textile industry and not to the labor market as a whole. Thus one is unable to determine from the paper how tight the labor market is in order to make a valid assessment.

During the period 1963–65 the U. S. economy was expanding rapidly. Consequently, it would be equally plausible to postulate that there would be a marked tendency for workers to shift out of low-income textile employment into higher-income employment during this period. This, coupled with an expansion in the textile labor force in response to increased demand during the 1963–65 period, would explain the drop in average unemployment in Table 1 during this period and the concomitant increase in the black participation rate. The movements described above would be amplified and bolstered by a mix of tight labor market conditions and non-economic factors in 1966–1968.

In conclusion, one suspects some weakness in the author's analysis of the role of the labor market and insufficient support for his conclusion that "the increased economic activity in textiles in the mid-sixties was probably a necessary, but not a sufficient condition for change." Such a conclusion would have received far more credence if evidence had been presented with respect to labor movements between the textile industry and the "expanding durables and chemical industries of the Carolinas."

The author's analysis of the role of government enforcement measures in promoting equal employment opportunity indicates that this factor has had a quite limited effect on black workers' access to employment in the Carolina textile industry. The combined efforts of the Office of Federal Contract Compliance, the Department of Defense and the EEOC's compliance system and technical assistance program failed to have a significant impact on black participation in the Carolina textile industry.

Pressure from various community groups has, in the author's opinion, had a distinct impact in improving the hiring and promotion of blacks in the textile industry. However, the study does not contain sufficient evidence to support this contention.

On the basis of the material presented in the paper one would tend to conclude, contrary to the author's findings, that the primary reason for the market increase in black employment and participation in the Carolina textile industry in the sixties is rooted in the economic expansion which prevailed during that period. Government enforcement policies and community mores played an indeterminate supporting role.

Concluding Comments

There is a need for greater conceptual clarity. It seems to me that the research papers have failed to distinguish unlawful employment discrimination (race, religion, sex and national origin) from equal employment opportunities. Employment opportunities can be unequal for reasons other than unlawful employment discrimination, such as knowledge and skill requirements which are variable according to occupation and employers, and which are not equally distributed among all segments of the population.

The research papers seem to rest on the questionable premise that the elimination of unlawful discrimination, through both voluntary compliance and effective law enforcement machinery, would result in equal employment opportunities, that would be reflected in proportionate representation of minority groups in various industries and occupations in a given labor market. This problem suggests the need for more careful research on the characteristics of both the demand and supply sides of labor markets, for entry-point jobs and for internal progressions within enterprises.

The Adams paper makes me wonder whether the conciliation procedures are really conciliatory, if they commence only after the investigation of a complaint has resulted in a Commission decision of reasonable cause, and if they are not defined as successful unless they result in a formal agreement that would be tantamount to favourable court decision against the respondent. Perhaps some consideration should be given to the separation of the conciliation machinery and the efforts to obtain "voluntary compliance," from the law-enforcement machinery. Perhaps conciliation efforts would contribute more towards securing voluntary compliance if they started with the investigation of a complaint, and before any conclusions are reached as to whether there is sufficient evidence to support court actions.

Also, the Adams paper seems to underplay the importance of the law itself and the knowledge of the law, as they affect the behaviour of employers, unions and employment agencies. No law can be effective without a large measure of voluntary compliance, to avoid excessive reliance on prohibitively high-cost policing and prosecution. The important factors affecting voluntary compliance are public acceptance and support of the law, sufficiently high penalties to deter violations, and a high and visible risk of prosecution. The challenge for research is to determine the most effective and efficient strategies for increasing public knowledge and acceptance of the anti-discrimination laws; and to determine the nature and amount of policing (investigating), penalties and prosecutions that would obtain the maximum voluntary compliance at the lowest possible public cost.

Thus, one of the most important criteria for evaluating the impact of EEOC activities is the extent to which unlawful employment discrimination has been reduced voluntarily, as a consequence of public awareness of the law, the EEOC's compliance and conciliation activities and court decisions. This the Adams paper terms the "distribution effect" and claims that it "could not be measured." That need not be the final word. Appropriate measures might yet be discovered.

DISCUSSION

William E. Pollard
Civil Rights Department, AFL-CIO

Mr. Adams[1] has told us that employers make up 85 percent of the respondents charged with discrimination by the Equal Employment Opportunity Commission and that the other 15 percent is divided between employment agencies and trade unions. He didn't give us the rest of the breakdown, but I know that unions do not have the lion's share of all complaints.

And yet, it seems to me, unions do get the lion's share of the total sum of public attention paid to this problem. Schools and foundations seem far more ready to pay for studies of the union end of the discrimination problem than the management end. And so we get a great many reports on the evils that exist among selected unions in selected industries in selected areas of the country, and over selected periods of time.

These studies are perfectly valid and worthwhile. It is important to know exactly what happened to particular human beings at particular times and places. And, of course, the members of an organization like IRRA know that samples of this kind do not accurately reflect the situation among the 60,000 unions and 14 million union members from whom they were so carefully selected.

There are, unfortunately, people who pretend that these narrow studies prove something about the labor movement as a whole. They cite them in arguing that unions—and especially the construction unions—are the chief stumbling block to minority workers who want a fair shake in the labor market.

I don't pretend for a moment that unions have no share in the problem of job discrimination in the United States, and I am not here to try to explain away their shortcomings. I spend my days and nights fighting these shortcomings and trying to overcome them.

But I would like to try to put this matter in perspective and remind you that the labor movement, as an institution, has fought harder and longer and more effectively to improve job opportunities for minority workers than any other institution in the land.

It was a great trade unionist, A. Philip Randolph, who rallied his fellow union members and the black organizations for the first March on Washington, back in 1940. That campaign led President Franklin D.

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[1] Toward Fair Employment and the EEOC—Arvil V. Adams, Research Associate, Center for Human Resources Research, The Ohio State University.

Roosevelt to issue Executive Order 8802, which barred discrimination in defense plants.

In every state and city and county where Fair Employment laws exist, they exist because unions threw their resources into the fight for their passage.

The Civil Rights Act of 1964 would never have been passed without labor's hardest efforts, and Title VII of that Act, the section that specifically forbids discrimination by unions, would never have been included except that the unions insisted on it. President Kennedy and Congressional leaders said it couldn't be done. They thought Title VII would doom the whole bill. It was AFL-CIO President George Meany who overcame their fears and demanded that title to give labor itself the leverage it needed to set its own house in order.

The push to give EEOC the teeth to enforce its orders through the 1972 amendments came from the Leadership Conference on Civil Rights, of which the AFL-CIO is a part.

There isn't time to recount the whole legislative record, but if there is one civil rights measure over the last 30 years that labor didn't fight for, or one unfair law that labor failed to fight against, I would like to know what it is.

Both the AFL and the CIO promoted fair employment practices bills in the early 1940s, long before it was fashionable, and they were writing FEP clauses into their contracts and enforcing them.

At the merger convention in 1955, the AFL-CIO created its Civil Rights Department to work for job equality both inside and outside the labor movement. Discrimination was barred in the constitution of the AFL-CIO and all of its affiliates.

In September 1965, the first chairman of the newly created EEOC, Franklin D. Roosevelt, Jr., agreed to send notice of all charges involving AFL-CIO locals to the international unions and the AFL-CIO Civil Rights Department. Our own representatives, working closely with the full-time civil rights representatives of about 80 international unions, used all the pressure and influence we could muster to resolve those complaints as internal violations of union constitutions and policies, and we got a great deal of results.

In 1969, after increasing steadily from 1965 to 1968, the complaints we received from EEOC began to drop off.

EEOC stopped sending them. Since 1972 it has been very hard to find out what complaints EEOC had involving unions so that we could do something about them.

Since 1969 EEOC's thrust toward conciliation has slackened, as well, in our opinion. EEOC hasn't had enough staff or budget to make conciliation work. The time gap between notice and decision has become much longer, and because of these delays EEOC has lost a great deal of its clout in the minds of respondents.

In effect, then, EEOC has shifted its emphasis from conciliation to litigation, and few observers seem to find anything wrong with that. Many people who should know better argue that the solution is to provide heavier penalties. So we have Mr. Adams' declaration that his "basic premise" is that "for conciliation to be successful, each party must think that his or her cost of disagreeing exceeds their cost of agreeing."

We reject that theory. What is needed for conciliation to work is for conciliation to take place, and without unreasonable delay.

The heavy-penalty theory, in our view is not directed at solving problems, but at busting unions.

Sixty percent of our 60,000 local unions have no full-time officers or representatives. Union business has to be taken care of by men and women who work full eight-hour shifts. The limited information they get from EEOC leaves them liable to lawsuits where decent conciliation could resolve the problem.

So we think it is completely wrong to take union dues to pay heavier and heavier damages awarded by the courts because the EEOC failed to meet its obligation of seeking resolution before going to court.

That kind of litigation doesn't cost industry a penny. The Internal Revenue Service, time and again, has found that such expenses, including awards and fines in criminal cases, is a "normal cost of doing business" and is deductible from corporate income taxes. To unions, as the enemies of unions are very much aware, those expenses can only mean financial crippling, if not bankruptcy.

But on the record, industry is not much molested by EEOC. Unions get the lion's share of EEOC's attention.

Only 15 percent of the people EEOC is supposed to protect have unions. Why does that 15 percent get so much attention and the 85 percent so little? Why does the EEOC bypass the civil rights machinery the unions have created to make sure unions do all they can to ensure justice in the workplace? Is it any wonder that we see mixed motives in all this? Is it any wonder that we suspect union-busting is involved?

I think it is wrong to credit EEOC or OFCC with all the progress that has been made in expanding minority job opportunities. Other organizations—the Leadership Conference on Civil Rights, the NAACP, the Legal Defense Fund and the AFL-CIO itself—have singly and jointly taken a great deal of affirmative action in expanding job opportunities for minorities.

Construction has been the chief target of labor's critics in the human rights area. There seems to be an impression that all the problems of minority workers would be solved if the building trades would simply open the door to them. Well, the door is open with a "welcome" sign on it; the unions are doing what they can.

In the construction field there are 17 unions with three million members. Since 1969 about 12 percent of them have been unemployed. At the end of December 1971, of all the 110,592 apprentices in the construction trades under registered Joint Apprenticeship programs, 12 percent of those apprentices were members of minority groups. The number of minority group apprentices now is at an all time high in excess of twenty thousand.

That doesn't go a long way toward solving the problem of minority employment, but it is a better performance than any achieved by any other voluntary association in America.

It came about as a result of the Outreach apprenticeship program which was launched in 1967, when the Labor Department began funding Outreach programs sponsored by individual building trades councils. The unions are aided in recruiting young minority workers by several civil rights groups, chiefly the Workers Defense League, now known as the Recruitment and Training Project and the Urban League's Labor Education Advancement Program.

At the moment more than 20,000 youngsters are indentured under 110 programs under way in 110 cities. The drop-out rate is 13 percent, which is less than a third of the average drop-out rate for all college students.

The outgoing secretary of labor has praised Outreach as an effective instrument for increasing minority participation in the skilled trades. We agree that it is.

It is important that parents, school counselors and community leaders should recognize Outreach's importance on the one hand, and understand on the other that Outreach is not a panacea that can solve the problem single-handed.

To those who say Outreach is not doing enough to increase the number of minority members in the skilled trades, we have two comments:

One, Outreach has already done far more toward that goal than EEOC has accomplished with all its conciliations anl lawsuits.

Two, if Outreach is not bringing enough minority members into the skilled trades through its apprenticeship and journeymen training programs, then what is the answer? Do we go out on the street and hand out union cards to every Black, Mexican-American and Puerto

Rican? If they accepted, would construction contractors or homeowners hire them, knowing they were not competent in their trade?

Of course not. The only workable method is to expand Outreach to meet the needs of the industry, motivate youngsters to become first-class, fully qualified skilled tradesmen.

Just how many jobs are there in construction? The International Brotherhood of Electrical Workers has more than 850,000 members, but only 300,000 in construction. IBEW has 26,000 apprentices, nearly 11 percent of them members of minority groups. If every apprenticeship opening in the United States were given to minority youth, it wouldn't substantially reduce their unemployment rate.

It is unrealistic to expect a white skilled worker to surrender his job because a black man needs it. The craft unions cannot expand their minority membership until there is an increase in job opportunities.

All experience shows that minorities improve their job status during periods of high employment. So it was nonsense for President Nixon to call for an expansion of minority job opportunities in construction under his abortive Philadelphia Plan at the very time he was ordering cutbacks of 75 percent in federal construction.

America needs more construction and America needs more construction workers. We have made scarcely a dent in the goal of 25 million new dwellings to replace substandard housing. The housing problem and the job problem go hand in hand, and they can only be solved when this nation decides to set new priorities to solve them.

The only solution to slum housing is to replace slums with new housing. The only answer to unemployment is a policy of full employment. The only answer to improving job opportunities for minorities is to make jobs available.

XII. PROFESSIONALS IN COLLECTIVE BARGAINING

Collective Bargaining by Professionals in Federal Employment in Canada

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The title of this paper calls attention to the relationship between professionalism and collective bargaining in federal employment. I have selected the Canadian experience for study, but will make a few comments on the situation in the United States. The Public Service Staff Relations Act (PSSRA), adopted in 1967, the basic enabling legislation in Canada, is more comprehensive and definitive than is its counterpart in the United States, the Executive Orders issued by the President.[1]

The main points with which I am concerned are the extent and limits of the Canadian system in providing a framework for employee-management relations in the federal sector which is supportive of increased participation by professionals in advancing significant job and professional objectives. Obviously, no attempt will be made here to provide a complete analysis of collective bargaining or of professionalism among federal employees.[2]

The Framework for Collective Relations

The Public Service Staff Relations Act established a system of collective bargaining for federal employees ". . . which in all essential respects parallels that prevailing in the private sector."[3] The Act's coverage is broad, including virtually all categories of federal employees except managerial and confidential personnel. For the federal service as a whole, some 6 percent of employees were thus excluded from bargaining in 1970. So far as professionals are concerned, approximately 12 percent are denied the right to bargain collectively.[4]

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[1] Formal employee-management relations in the U.S. Federal Service began with Executive Order 10988, issued by President Kennedy in 1962. Executive Order 11491 issued by President Nixon in 1969 revoked E.O. 10988 and now governs Federal labor-management policies. In many respects, E.O. 11491 brought labor relations closer to the private-sector model. In 1971, Executive Order 11616 added a number of refinements to E.O. 11491. These Executive Orders provide the basic framework for collective bargaining in the Federal government.

[2] The research on which this paper is based was conducted during the summer of 1972, when I had the opportunity to devote several months to the study of collective bargaining among federally employed professionals. The work was done under the auspices of the Industrial Relations Centre at McGill University. This paper represents a small part of a larger study, to be published in the future. Because of the limited space available, it would be futile to try and document all the sources on which it is based. I might note that I conducted personal interviews as part of my research with most of the key persons involved in professioanl worker collective bargaining, as well as with many professional employees in all parts of Canada.

The National Joint Council (NJC), which was established in 1944 and patterned after the British Civil Service Whitley Council, was the first serious effort to develop formal machinery for labor-management consultation at the federal level. It continues in existence to the present, functioning parallel to collective bargaining; some say it competes with and undermines collective bargaining. The degree of compatibility between the NJC and the bilateral bargaining process is a much discussed but unresolved issue.[5]

At present almost 100 percent of the more than 20,000 eligible federally employed professionals in Canada are in certified bargaining units and are covered by collective agreements. However, it would be an over simplification to equate this achievement with a correspondingly high commitment either to the principle or the practice of collective bargaining. Indeed, professionals as a group, and their organizations seem to have had relatively little influence in determining the basic thrust of the PSSRA. Most professionals still exhibit a good deal of ambivalance about the most suitable form of collective representation.[6] While there have been some indications to the contrary, it seems unlikely that there will be any substantial departure from the collective bargaining model set by the government for its employees, including professionals.

In Canada, certification is at the basis of all bargaining relationships under the PSSRA. There is no voluntary recognition of bargaining agents, as is common in the private sector in both Canada and the United States. For professionals, bargaining units were established on the basis of fairly strict occupational criteria, with the exception of a few functionally based units.[7] A consequence of this occupational pluralism may be a slowing of the development of broad professional consciousness in the federal service.

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[3] Harry W. Arthurs, *Collective Bargaining by Public Employees in Canada: Five Models* (Ann Arbor: Institute of Labor and Industrial Relations, University of Michigan, 1971), p. 19.

[4] The 6 percent figure is cited in the *Public Service Staff Relations Board: Third Annual Report* (1969–1970), p. 8. The 12 percent figure was obtained from the Professional Institute of the Public Service of Canada.

[5] For a comprehensive review of the NJC by its former General Secretary, See C. W. Rump, "Employer-Employee Consultation in the Public Service; 1944–1972," *The Civil Service Review, XLV* (June 1972), pp. 6-16 and 48. See also L. W. C. S. Barnes, "Report on the National Joint Council," *Professional Public Service, 50,* (November 1971), pp. 18-19.

[6] This statement is partly impressionistic, but is also based on observation and published data.

[7] Examples of occupationally based units are nurses, geologists and veterinarians, and of functionally based units, foreign-service officers and scientific research.

As seen from the perspective of professional employee interests, the PSSRA is quite restrictive in a number of important respects. For example, the Professional Institute[8] is particularly concerned with the exclusion from the bargaining process of matters such as the assignment of duties and the classification of positions. Other items that are generally not negotiable and that, according to the Institute, should be within the scope of bargaining include promotion criteria, pensions and job security, and layoffs.

Impasse Procedure.

The most unique aspect of the Canadian system is the choice of procedures for resolving impasse. Under the PSSRA, the bargaining agent, prior to giving notice to bargain, indicates his choice of conciliation or arbitration in the event of impasse. Arbitration, of course, results in a final and binding award; and conciliation, if unsuccessful, does not preclude strike action.

As to the effectiveness of the system as a whole, Professor Harry Arthurs reports that as of March, 1970, fourteen bargaining units containing approximately 37,000 employees had chosen the conciliation-strike route; but almost 160,000 employees selected arbitration. He described this as, ". . . surely evidence of their desire to avoid disruption of public service, if at all possible."[9] Only two out of some thirty-eight bargaining units containing scientific and professional employees have opted for the conciliation-strike route, which means, in effect, that the choice of procedure has been arbitration. Professional units appear to use arbitration far more often than units comprised largely of nonprofessionals. During the period April, 1970, to March, 1971, there were fourteen references to arbitration (as compared with 8 cases during the preceding fiscal year); twelve of them involved professional units. What is perhaps more significant than the numbers is that with each new round of bargaining, a higher proportion of negotiations end up in arbitration.[10]

Professional Employee Organization

Unionization of federal employment was accomplished in less than three years—from 1967 before the passage of the PSSRA, when there was no formal bargaining, to 1970, when virtually 100 percent of the federal employees were represented by certified bargaining agents.[11] More than 130,000 of the approximately 215,000 eligible employees in the federal service are in units for which the Public Service Alliance of Canada (PSAC), a Canadian Labor Congress affiliate, is certified. Of this number, over 80,000 are white-collar workers, making it the largest white-collar union in Canada, according to the PSAC.[12] While the PSAC is certified for two of the largest units of professionals (teachers and auditors) and claims jurisdiction over all professionals in federal employment, it has not thus far challenged in any fundamental way the long-time dominance of the Professional Institute of the Public Service of Canada over federally employed professionals.

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[8] The Professional Institute of the Public Service of Canada, to be discussed at greater length below and referred to henceforth as the Institute, is the certified collective bargaining agent for most professionals in the federal service.

[9] Arthurs, *op. cit.*, p. 39.

[10] *Public Service Staff Relations Board: Fourth Annual Report* (1970–1971), p. 28.

The Institute, as a matter of policy, represents professionals only. It was founded in 1920 with the main objective, as stated in its Letter's Patent, of "enhancing the value of the service to the public, maintaining high professional standards and promoting the welfare of its members." Until the passage of the Public Service Staff Relations Act in 1967, it functioned as a traditional, service-oriented, anti-union staff association. Perhaps it would be more accurate to say that the Institute was not anti-union so much as it was remote and separated from the world of trade unionism and collective bargaining. It served as a mutual-aid society, performed a watch-dog function over the administration of civil service legislation, made representation before governmental bodies and so forth. One of the presidents of the Institute prior to collective bargaining said in an interview:

> When I was president, we had a paternalistic system of management. We consulted with the government in the National Joint Council. We were not terribly effective but the system seemed to work reasonably well. Maybe we were underpaid before collective bargaining but the government did look after us.

Even before final adoption of the PSSRA, it was obvious to the Institute that unless it sought certification as bargaining agent, it would soon have little left to do. Thus, in 1967, it moved expeditiously to obtain certification and brought its internal structure into line to make bargaining feasible.

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[11] Jacob Finkelman, "Some Aspects of Public Service Bargaining in Canada," *The Civil Service Review, 43* (March 1970), p. 18.

[12] The membership figures are taken from an address by Claude Edwards, President of the PSAC, before the "White-Collar Personnel-Management Seminar," June 6–11, 1971, at Queen's University, Kingston, Ontario. The PSAC itself was created in 1966 as a result of a merger of two old-line civil service organizations, the Civil Service Federation of Canada and the Civil Service Association of Canada, which themselves had been products of merger many years earlier. Today the PSAC defines its jurisdiction as "all employees of the Government of Canada." (PSAC Constitution, Section 3(1))

Institute Membership[13]

Year	Members
1920	300
1930	1,300
1945	1,746
1950	2,796
1956	4,000
1964	7,000
1972	14,862

The membership growth of the Institute between 1920 and 1967 was unspectacular but steady, corresponding roughly to the growth of professional employment in the public service.

After enactment of the PSSRA in 1967, an attitude developed among many professionals that it would be wise to join a collectibe bargaining organization, and that it was perhaps "more professional" to join the Institute than to wait for some competing organization. The mandatory agency shop in federal employment led to further growth in membership. At any rate, the 1972 figure in the table represents almost the total real membership potential for the Institute among the professional employees in the central government and other employers covered by the PSSRA.[14]

Long before collective bargaining had become an issue, the Institute set up "Groups" based on academic discipline or occupation as organization and activity units within the Institute. As it turned out, the bargaining units established after 1967 in the scientific and professional areas coincided more or less with the Groups previously established by the Institute. Nearly half of all bargaining units created under the PSSRA were for professional workers, but only some 10 percent of the employees are in jobs defined as scientific and professional.

In theory, the Institute is a centralized organization, which is certified as bargaining agent and negotiates separate contracts for some 36 different bargaining units. The largest unit is Nurses, with 2,300 members in 1972, and the smallest is Actuarial Science, with 21 members. The five largest bargaing units within the Institute—Economics, Sociology and Statistics; Engineering and Land Survey; Nursing; Scientific Research; and Computer Systems—comprise slightly more than half of its total membership.

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[13] All the figures in the table except for 1972 are cited in John Swettenham and David Kealy, Serving the State: A History of the Professional Institute of the Public Service of Canada, 1920–1970 (Ottawa: The Professional Institute of the Public Service of Canada, 1970). The book was written to mark the fiftieth anniversary of the founding of the Institute.

[14] The figure of 14,862 was obtained from the Institute, and is based on actual count.

The elected leadership of the bargaining units involved has been delegated basic responsibility for the formulation of bargaining demands as well as for decisions about tactics and strategy during negotiations and related matters. The Institute has experienced researchers and negotiators on its staff to work with the various bargaining units; they provide the technical and negotiating expertise. The net result of this arrangement is that the Institute provides a minimum of central direction to the entire bargaining process. The employer also has problems of coordination, but appears to be working effectively toward a single bargaining policy so far as professionals are concerned.

Experience of Professionals With Collective Bargaining

Although it is impossible to delineate the precise impact of collective bargaining on the salary and fringe-benefit situation of professionals, a few patterns have emerged. The general result of bargaining in this area may be characterized as mixed—at best one of modest gain. For one thing, arbitration generates fairly predictable pay awards once a pattern is set. The pattern tends to move within the guidelines of the Prices and Incomes Commission. The standard seems to be exceeded only when the employer, because of labor-market and other economic considerations, offers more than the standard pattern. Arbitration tribunals, with only one or two exceptions, have not used their discretionary authority to any important degree to alter traditional salary relationships. Once the public-service pattern is set, the pressure to maintain internal differentials seems to dictate approximate compliance with the established standard.[15] So far as fringe benefits are concerned, they appear to follow the pattern set in the pay area.

The highly fragmented structure of professional bargaining (some 36 bargaining units) has not resulted in a corresponding diversity in the subject matter of collective agreements. The contracts negotiated by the Institute show relatively little differentiation in their main headings. And except for certain "terminological adjustments" such as using the term "extra professional services" rather than overtime, most contract provisions deal with traditional bargaining subjects. Thus, bargaining has not brought about many contract provisions that are specific to professionals; however, in my opinion, this is not due to the absence of interest in such provisions by the Institute. Likewise, most items in the contracts show little penetration into traditional employer prerogatives as a result of bargaining. In short, the substance and scope of contract provisions has mostly come about because of the bargaining policies and postures taken by the employer. Undoubtedly a large part of the reason for this is that in individual bargaining situations the Institute is too weak to bring much pressure on the employer. Arbitration may give support to the Institute's demands on particular issues, but in my opinion, this has not been very pronounced. Also, it is improbable that the Institute would seriously consider strike action to attain its objectives. Absence of strategic striking power, variations in contract expiration dates, nonexistence of strike funds, etc., work against such a posture. There is also a real antipathy among many professionals (and most of the Institute leadership) to the very idea of "professionals on strike." It may be concluded, therefore, that the strike option under the PSSRA is not a practical one for professionals at the present time.

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[15] This paragraph is based on analyses performed by Professor Bryan Downie, of Queen's University, Kingston, Ontario.

This fairly critical assessment of the accomplishment of contract bargaining should, of course, not obscure the areas in which important substantive progress is being made. For one thing, collective bargaining, even with its present limitations, represents an important new channel for systematic communication and for employee participation in decision-making about job and work-related problems. And despite the conservative stance thus far taken by the arbitration tribunals, the fact that a terminal procedure for impasse resolution exists gives substance to the negotiation process, involving, as it so often does, small bargaining units that might otherwise not be taken seriously.

Some of the Institute bargaining units have made important strides in working toward "performance pay" systems, which contribute to taking salary and career decisions out of the lock-step arrangements so often found among professionals in public employment. Of course, an effective procedure for bilateral assessment of performance would need to be developed for such schemes to gain widespread support among professional employees. This is one example of an area in which important progress could be made via negotiations. It should also be noted that important efforts are being made to develop "joint consultation" procedures, based on collective bargaining between professionals and the employer as an established part of the relationship; imaginative application of this concept could do much to prevent development of rigidities in the relationship. Other issues that are beginning to receive increased attention in bargaining include sabbatical leaves and subcontracting. Of course, the Institute and other employee organizations, as a result of collective bargaining, perform a variety of functions that were neglected before, but which, taken together, do much to give employees increased personal security and autonomy in their work as well as opportunities for participation in decision-making. Most important in this regard is the bargaining agents' role in grievance settlement and adjudication.

Concluding Remarks

The dominant objectives of professional employees in collective bargaining seem to take two general directions: first, they want it to produce substantial and visible results in job and related economic matters (without a strike, of course, but arbitration is fine), second, they want a sufficiently flexible system so that occupationally oriented interests are not subordinated to the interests of the professional class as a whole. Conflict between these two directions, which is virtually inevitable under collective bargaining, encompasses much of the basic dilemma which confronts the Institute as bargaining agent.

It is my hunch that in bargaining for public-sector professionals, the bargaining agent is able to work effectively toward the attainment of broader professional goals only after certain basic job and economic standards are established. Thus it seems to me that the Institute must, under the present legislation, structure its collective bargaining program so as to gain broad member acceptance of its efforts in the job and economic area, while simultaneously working on professional kinds of issues. I think that this necessarily includes working more closely in the future with other employee organizations such as the PSAC, toward common goals than has been the pattern thus far.

The Institute's success in this effort will not only determine its own future as bargaining agent, but perhaps the longer-run shape of the collective bargaining for professionals. Efforts to amend the PSSRA which are now underway and the policies followed by the employer in relations with professionals will, of course, also have much to do with determining the outcome.

Collective Bargaining for Professionals under the Public Service Staff Relations Act of Canada

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A few years ago, Dean Harry Arthurs could wonder whether the introduction of collective bargaining in the Public Service of Canada was a bold experiment or an act of folly.[1] Even if Canada is presently threatened with its third postal strike,[2] it now seems possible to assert that the experiment has proven worthwhile. The coming into effect, in March 1967, of the Public Service Staff Relations Act[3] has resulted in the creation of an orderly system of collective bargaining covering almost 99% of all eligible Canadian public servants.[4]

For professional employees in particular, The Act presented a major challenge. At that time, in Canada, members of the established professions were excluded from the coverage of general labour relations statutes in all jurisdictions[5] except Saskatchewan[6] and Quebec.[7] If teachers were excluded, only a small proportion of the professional work force was bargaining collectively.[8] The only substantial breakthrough in the unionization of professional employees had taken place in the Quebec public sector[9] but this experience was not really perceived at a useful model in English Canada. Thus, both as professionals and as public servants, the professionals in the employ of the Canadian government were really treading on new ground when they chose to avail thmeselves of the bargaining rights granted to them by the PSSR Act. Nowadays, professional employees account for approximately 20% of all federal public servants[10] but they form nearly one-half of the bargaining units that have been certified under the Act.[11] Some 36 units are represented by the Professional Institute of the Public Service of Canada (PIPSC), 9 by the Public Service Alliance of Canada (PSCA), 3 by the Research Council Employees' Association (RCEA) and 1 by the Professional Association of Foreign Service Officers (PAFSO).[12]

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[1] H. W. Arthurs, Collective Bargaining in the Public Service of Canada: *Bold Experiment or Act of Folly?*, Michigan Law Review, Vol. 67 (March 1969), pp. 971–1000.

[2] The Council of Postal Unions (CPU) will conduct a strike vote on January 3, 1973. The Gazette, Montreal, December 20, 1972, p. 1.

[3] 1967 Can. Stat. c. 72, proclaimed in force on March 13, 1967.

[4] Public Service Staff Relations Board, *Third Annual Report* 1969–70, (Ottawa: Information Canada, 1971), p. 8.

[5] Industrial Relations and Disputes Investigation Act, 1952 Can. Rev. Stat. c. 152, sec. 2 (1) (1): "'employee' means a person employed to do skilled or unskilled manual, clerical or technical work, but does not include . . . (ii) a member of the medical, dental, architectural, engineering or legal profession qualified to practice under the laws of a province and employed in that capacity."

55. See also: Alberta Labour Act, 1955 Alta. Rev. Stat. c. 167, sec. 55 (1) (f) (ii); Labour Relations Act, 1960 B. C. Rev. Stat. c. 205, sec. 2 (1); Labour Relations Act, 1954 Man. Rev. Stat. c. 132, sec. 2 (1) (i) (B); Labour Relations Act, 1952, N. B. Rev. Stat. c. 124, sec. 1 (1) (i) (ii); Labour Relations Act, 1952 Nfld Rev. Stat. c. 258, sec. 2 (1) (i) (ii); Trade Union Act, 1954 N. S. Rev. Stat. c. 295, sec. 1 (j) (ii); Labour Relations Act, 1960 Ont. Rev. Stat. c. 202, sec. 1 (3) (a); Industrial Relations Act, 1962 P. E. I. Rev. Stat. c. 18, sec. 1 (i) (ii).

N.B. The law has been changed or is in the process of being changed in a number of jurisdictions. See: Canada Labour Code, 1970 Can. Rev. Stat. c. L-1, as amended by 1972 Can. Stat. c. 18 (not yet proclaimed in force); Industrial Relations Act, 1971 N. B. Stat. c. 9, sec. 5 (b); The Labour Relations Act, 1970 Ont. Rev. Stat. c. 232, sec. 1 (I) (1), sec. 6 (3) which permits collective bargaining by professional engineers; The Trade Union Act, 1972 Sask. Stat. Bill 105 and Bill 134, assented to May 5, 1972, effective August 1, 1972.

[6] At that time, in Saskatchewan, professional employees could be excluded from a bargaining unit if they so wished. Trade Union Act, 1965 Sask. Rev. Stat. c. 287, sec. 5 (a), 8A.

[7] In Quebec, the law required members of each recognized profession to form a separate bargaining unit: Labour Code, Que. Rev. Stat., c. 141, sec. 20.

At the present time, there can be no doubt that many federally-employed professionals have mixed feelings about collective bargaining under the Public Service Staff Relations Act. In fact, many of them are inclined to hold the legislation resonsible for most of the problems they have encountered in collective bargaining. Such statements are undoubtedly exaggerated. Nevertheless, it may be interesting to review the PSSR Act in the light of the professionals' experience. In so doing, we shall consider only those provisions that have particularly affected professional employees.

The Public Service Staff Relations Act

It may be of some use to outline briefly the provisions of the PSSR

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[8] See: Shirley B. Goldenberg, *Professional Workers and Collective Bargaining*, Task Force on Labour Relations Study No. 2, (Ottawa: Queen's Printer, 1970), pp. 1–3.

[9] See: Shirley B. Goldenberg, *Professional Workers and Collective Bargaining*, Task Force on Labour Relations Study No. 2, (Ottawa: Queen's Printer, 1970), pp. 5–7, 136–207.

[10] This figure is obtained by adding the total number of employees in the Scientific and Professional and in the Administrative and Foreign Service category. Public Service Commission, *Annual Report, 1971*, (Ottawa: Information Canada, 1972), pp. 44–45.

[11] For some 108 certified bargaining units, 49 certification orders have been issued for the Professional and Scientific and the Administrative and Foreign Service categories. See: Public Service Staff Relations Board (PSSRB), *First Annual Report, 1967–68*, (Ottawa: Queen's Printer, 1970) pp. 60–65; PSSRB, *Second Annual Report, 1968–69*, (Ottawa: Queen's Printer, 1969), pp. 96–99; PSSRB, *Third Annual Report, 1969–70* (Ottawa: Information Canada, 1971), pp. 90–93; PSSRB, *Fourth Annual Report, 1970–71*, (Ottawa: Information Canada, 1972), p. 14.

[12] Loc. cit.

Act.[13] Basically the Act follows the traditional model of Canadian labour relations statutes: it attempts to protect the right of association, it establishes a certification procedure administered by a labour relations board, it allows the certified bargaining agent to compel the employer to bargain in good faith over terms and conditions of employment, it establishes a dispute settlement procedure; strikes are prohibited during the term of a collective agreement and the parties are required to refer to binding arbitration every dispute over the interpretation or application of a collective agreement. However, the Act also contains a number of unique features which deserve closer attention.

The PSSR Act applies to all portions of the Public Service of Canada that are not covered by the Canada Labour Code, with the exception of the Canadian Armed Forces.[14] Also excluded from the coverage of the Act are persons who are not "employees" and, particularly, persons employed in a managerial or confidential capacity.[15]

An independent agency, the Public Service Staff Relations Board (PSSRB) is created and entrusted with the administration of the Act.[16] Since the government itself was the employer, the discretionary powers which, in Canadian private-sector statutes, are usually attributed to the Minister of Labour[17] have also been given either to the Board itself,[18] or to its Chairman[19] or its Secretary.[20] The PSSRB thus became an extremely powerful institution.

Bargaining rights accrue only from certification by the PSSRB.[21] Furthermore, during the "initial certification period", certification could only be granted, except in rare instances, for bargaining units whose boundaries corresponded exactly to the occupational groups defined for the purpose of the classification system[22]; this created some 72 occupationally-defined, service-wide bargaining units in the central administration. This transitional period is over and the PSSRB has discretion to determine the appropriate bargaining unit, provided it does not include in the same unit employees belonging to more than one category.[23] Nevertheless, the pattern of bargaining units created during the initial certification period will not be disturbed for some time.

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[13] For a detailed analysis of the provisions of the Act, see: H. W. Arthurs, *Collective Bargaining in the Public Service of Canada: Bold Experiment or Act of Folly?*, op. cit., pp. 971–1000. Also: H. W. Arthurs, *Collective Bargaining by Public Employees in Canada: Five models,* (Ann Arbor: The Institute of Labor and Industrial Relations the University of Michigan—Wayne State University, 1971), pp. 19–77.

[14] 1970 Can. Rev. Stat., C. P-35, sec. 2, 3, 4, 5.

[15] Ibid., sec. 2.

[16] Ibid., sec. 11–25.

[17] E.g.: Responsibility for third-party services, granting of permission to prosecute for violations, etc. . .

[18] Ibid., sec. 21, 23, 26, 60, 74, 79, 92, 99, 110, 115.

[19] Ibid., sec. 17, 60, 65, 66, 67, 78, 80, 81, 83, 86.

[20] Ibid.,sec. 63, 64, 97.

[21] Ibid., sec. 40, 49.

[22] Ibid., sec. 26.

Negotiations are conducted either by the Treasury Board on behalf of the central administration or by the separate employer itself, when an agency or a corporation has been so designated.[24] The collective agreements thus negotiated are binding and they must be implemented.[25] However, there are some restrictions on the permissible scope of collective agreements. The employer retains the authority to determine the organization of the Public Service and to assign duties to and classify positions therein.[26]

There are also some restrictions on the type of permissible union security provisions since the Act prohibits the enforcement of either a closed shop or a union shop.[27]

Finally, Sec. 56 (2) of the Act prohibits the inclusion in a collective agreement of provisions which would require legislative implementation or of provisions affecting terms or conditions of employment that have been established pursuant to specified statutes.[28] Since the Public Service Employment Act[29] and the Public Service Superannuation Act[30] are thus enshrined, the parties cannot bargain over job security provisions or over pension rights.

Certainly, the most innovative provisions of the Act are those pertaining to dispute settlement. Before giving the employer notice to bargain,[31] the bargaining agent must opt either for the binding arbitration route or the conciliation board procedure and, ultimately, the right to strike.[32] If arbitration is chosen, disputes are referred to a permanent Public Service Arbitration Tribunal.[33] Otherwise, after the conciliation board procedure[34] is exhausted, the employees may resort to strike action.[35] However, in such a case, the employees

> "whose duties consist in whole or in part of duties the performance of which at any particular time or after any specified

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[23] Ibid., sec. 32.

[24] Ibid., sec. 2, 4, 5, 54, 55.

[25] Ibid., sec. 56, 57, 58.

[26] Ibid., sec. 7.

[27] Ibid., sec. 8 (2) (c).

[28] Ibid., sec. 56 (2) (b), Schedule III.

[29] 1970 Can. Rev. Stat. c. P-32.

[30] 1970 Can. Rev. Stat. c. P-36.

[31] PSSR Act 1970, Can. Rev. Stat. c. P-35, 49 (1).

[32] Ibid., sec. 2, 36–38, 59.

[33] Ibid., sec. 60–76.

[34] This procedure provides for the creation of an ad hoc tri-partite fact-finding board which has the power to make recommendations; these recommendations may be published. Ibid., sec. 77–89.

[35] Ibid., sec. 101.

> period of time is or will be necessary in the interest of the safety or security of the public,"

may not join in the strike[36]; these employees are designated by consent of the parties or, failing agreement, by the PSSRB.[37]

Finally, the Act sets up a statutory grievance procedure.[38] Interestingly, persons employed in a managerial or confidential capacity have the same rights under the grievance procedure as "employees" within the meaning of the Act.[39] Although a grievance may be filed with respect to the interpretation or application of a statute or regulation when no other recourse is available,[40] only grievances pertaining to the interpretation or application of a collective agreement or to major disciplinary action may be referred to adjudication[41]; in the former case, the grievance must be approved and supported by the bargaining agent.[42] The Act provides for the appointment of a Chief Adjudicator and of permanent adjudicators to hear and decide grievances and their decisions are binding on the parties.[43]

Collective Bargaining for Professionals under the PSSR Act

Not surprisingly, in practice, some of the provisions of the Public Service Staff Relations Act have had unforeseen and, in some cases, unfortunate consequences. We shall examine a few that have particularly affected professional employees.

THE EXCLUSION OF MANAGERIAL OR CONFIDENTIAL EMPLOYEES.

Persons employed in a managerial or confidential capacity are not employees within the meaning of the PSSR Act and, as such, they cannot avail themselves of the provisions of the Act except with regard to the grievance procedure.[44] Because it was felt that industrial precedents with regard to managerial exclusions were not relevant to the Public Service, an attempt was made to devise a new definition which would exclude from the bargaining units persons who would otherwise be confronted with a "conflict of interest."[45] Thus, where the Canada

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[36] Ibid., sec. 79, 101.
[37] Ibid., sec. 79.
[38] Ibid., sec. 90–99.
[39] Ibid., sec. 2.
[40] Ibid., sec. 90 (1).
[41] Ibid., sec. 91 (1).
[42] Ibid., sec. 90 (2), 91 (2).
[43] Ibid., sec. 92–98.
[44] Supra, n. 39.
[45] *Report of the Preparatory Committee on Collective Bargaining in the Public Service*, (Ottawa: Queen's Printer, 1965) pp. 32, 52–53 (hereinafter "Preparatory Committee")

Labour Code simply excludes persons performing management functions or employed in a confidential capacity in matters relating to labour relations,[46] Sec. 2 of the PSSR Act provides that

> "person employed in a managerial or confidential capacity," means any person who:
>
> (a) is employed in a position confidential to the Governor General, a Minister of the Crown, a judge of the Supreme or Exchequer Court of Canada, the deputy head of a department or the chief executive officer of any other portion of the Public Service, or
>
> (b) is employed as a legal officer in the Department of Justice, and includes any other person employed in the Public Service who in connection with an application for certification of a bargaining agent for a bargaining unit is designated by the Board, or who in any case where a bargaining agent for a bargaining unit has been certified by the Board is designated in prescribed manner by the employer, or by the Board on objection thereto by the bargaining agent, to be a person
>
> (c) who has executive duties and responsibilities in relation to the development and administration of government programs,
>
> (d) whose duties include those of a personnel administrator or who has duties that cause him to be directly involved in the process of collective bargaining on behalf of the employer,
>
> (e) who is required by reason of his duties and responsibilities to deal formally on behalf of the employer with a grievance presented in accordance with the grievance process provided for by this Act,
>
> (f) who is employed in a position confidential to any person described in subparagraph (b), (c), (d) or (e), or
>
> (g) who is not otherwise described in subparagraph (c), (d), (e) or (f), but who in the opinion of the Board should not be included in a bargaining unit by reason of his duties and responsibilities to the employer."

It must be pointed out that simply by distinguishing between managerial and ordinary employees, the PSSR Act created quite a perturbation within many civil service associations. Prior to collective bargaining, managerial personnel often played a leading role within some of these groups. This may have been particularly true of the associations regrouping professional employees such as the PIPSC or PAFSO. In this respect, it may be significant that the Professional

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[46] 1970 Can. Rev. Stat. c. L-1 sec. 107 (1).

Institute still provides a type of "affiliate membership" for excluded personnel[47] and continues to press for a legislative provision protecting the right of managerial or confidential employees to join an employee organization.[48] Undoubtedly, this provision of the Act compelled many civil service associations to undertake a major reorganization. For some, the process of adaptation may not yet be completed.

Another factor may have increased the impact of managerial exclusions. In the early stages, many employee organizations, anxious to be certified, may have been somewhat overinclined to agree to the lists of managerial exclusions submitted by the employer. Since then, the PSSRB has refused to allow the employee organizations to contest previously agreed-upon exclusions. The Board has ruled that there is an onus on the employee organization contesting a previously agreed-upon exclusion to establish that the job content of the position has changed.[49]

Nevertheless, the proportion of managerial exclusions in bargaining units of professional employees is generally fairly high. In a few groups, it even exceeds 20%[50] and the legislative definition of "managerial or confidential employee" seems at least partly responsible for this state of affairs. The number of professional employees who have "executive duties and responsibilities in relation to the development and administration of government programs" is obviously rather high in many occupational groups. Furthermore, the fact that "confidentiality" is not restricted to matters pertaining to labour relations can only increase the impact of such wide-ranging grounds for exclusions. The use of such criteria for managerial exclusions suggests that the Canadian government may have been somewhat weary about the eventual loyalty of employees belonging to certified employee associations. . .

A high number of managerial exclusions can only create serious difficulties for associations representing professional employees. In the first place, they may be deprived of badly needed leadership. In the second place, their effectiveness in collective bargaining may be adversely affected because a substantial proportion of the employees in an occupational group are not in the unit. Finally, there is the very real risk that managerial employees could be perceived by the employer as "people he can trust," thus leading to subtle discrimination in the allocation of purely professional work. Few things could effectively undermine the professionals' commitment to collective bargaining as a realization that "managerial employees get all the interesting work."

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[47] Professional Institute By-laws, sec. 6.1.3. *Professional Public Service,* Vol. 51, No. 5 (May 1972), p. 16.

[48] PIPSC, Brief presented to the Bryden Committee on Legislative Review (Ottawa: 1971), pp. 11–13.

[49] PIPSC v. Treasury Board, Re: T. J. Nunn, PSSRB File No. 174-2-22; PSAC v. Treasury Board, Re: G. C. Thomson & R. C. McIndoe, PSSRB File No. 174-2-55.

[50] The Professional Institute complains that, on average, approximately 12% of the employees are excluded from the units that it represents. In some units, such as Architecture and Town Planning, Engineering and Land Survey and Medicine, more than 20% of the employees are excluded. See: PIPSC, *Brief presented to the Bryden Committee on Legislative Review,* Op. cit., pp. 6–7.

THE BARGAINING STRUCTURE

The enactment of the Public Service Staff Relations Act was preceded by a major revision of the classification system which served as a basis for the determination of bargaining units in the initial certification period.[51] The new plan was based on a broad division of the service in occupational categories made up of groups "linked together in a general way by educational requirements and a common approach to classification and pay administration."[52] Six such categories were identified: executive, scientific and professional, administrative and foreign service, technical, administrative support and operational. Each category was divided in groups composed of employees

> "with similar skills, performing similar kinds of work, bearing a relationship to an identifiable labour market wherever possible."[53]

Each group would have its own pay plan which could be adjusted. Eventually, some 72 occupational groups were identified. In particular, the Scientific and Professional Category was divided into 28 groups while the Administrative and Foreign Service category was divided into 13 groups.[54] Since, during the initial certification period, the bargaining units in the central administration were to correspond to the occupational groups defined in the classification plan[55], professional public servants were divided into a multiplicity of bargaining units, some of which were very small.

In the early stages, professional employees welcomed this development since it took into account their occupational distinctiveness. They still seem to favour such a bargaining structure, although many have also become conscious of a need for increased coordination and cooperation.

Nevertheless, it must be pointed out that the bargaining structure has not quite fulfilled the expectations of its framers. The structure was designed basically to deal with monetary issues and, particularly, wages. This factor also led to the designation of Treasury Board as the employer representative. Since negotiations were to be conducted separately for each occupational group, so the reasoning went, it would be possible to adapt pay scales to the prevailing conditions in the relevant outside labour market. In fact, however, since the coming into force of the Act, monetary settlements in the Public Service have followed a standard pattern,[56] which suggests that the Treasury Board has been much more concerned with avoiding leap-frogging or fighting inflation than with following trends in outside labour markets. As a result, the bargaining structure does not seem to have increased the validity of wage settlements. If anything, the fragmentation of bargaining units may have weakened the employees.

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[51] Preparatory Committee, op. cit., pp. 9–13, 30–31; see supra no. 22.

[52] Preparatory Committee, op. cit., p. 13.

[53] Loc cit.

[54] *Canada Gazette,* March 20, 1967. N.B. It is interesting to note that, under this plan, there are some 54 groups in 3 categories which include 25% of the employees while the Administrative Support and the Operational categories are divided in 18 groups.

[55] Supra, n. 22.

Furthermore, the fragmented bargaining units have proven somewhat inadequate in attempting to deal with a number of issues, notably issues which are service-wide in nature, such as hours of work. At the present time, pensions are not bargainable but should they become bargainable, it would probably be necessary to create a different negotiating forum to avoid some 70 different negotiations.

With regard to non-monetary issues which are likely to be of particular interest to professional employees, the bargaining structure may also have taken its toll because it is so highly-centralized. For example, provisions regarding performance pay, joint decision-making, allocation of merit increases will often require close co-operation at the work place level to ensure their implementation. Yet, negotiations take place in Ottawa between the Treasury Board and national employee organizations with little local participation on either side.

These remarks suggest that the present bargaining structure is both too fragmented and too centralized. It may be, however, that the basic problem is somewhat different. Collective bargaining has been introduced in the Public Service of Canada but it too often remains both on the employer's side and on the employees' side, the business of relatively few individuals. The spirit and the reality of collective bargaining has yet to penetrate the various levels of the Public Service and this factor may be more important than the bargaining structure in explaining the relative inefficiency of the process.

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[56] An unpublished study prepared by Professor Bryan Downie of Queen's University under the auspices of the Industrial Relations Centre of McGill University shows that, in recent years, wage increases follow almost systematically a pattern of 6% in the first year, 5% in the second year. The distinction between groups or between categories, the identity of the bargaining agent or the nature of the dispute settlement process selected seem to be almost totally irrelevant to the result.

THE LIMITATIONS ON THE SCOPE OF ARBITRAL AWARDS.

Although the restrictions on the scope of collective agreements obviously create major problems, it would seem that the restrictions on the scope of an arbitral award may have even more serious implications for professional employees.

Under sec. 70 (1) of the PSSR Act,

> "an arbitral award may deal with rates of pay, hours of work, leave entitlements, standards of discipline and other terms and conditions of employment directly related thereto."

Thus, the scope of an arbitral award is more limited than the permissible scope of a collective agreement.[57] This was apparently meant to ensure that the Arbitration Tribunal would decide only these issues that it was best qualified to handle and to keep its workload within manageable limits. It may also have been intended to put some pressure on the parties to reach agreement at the bargaining table.[58]

In recent years, it has become apparent that this restriction on the scope of arbitral awards gave the employer a major bargaining weapon. Although it does pressure the parties into reaching agreement at the bargaining table, it has become more and more obvious that this pressure affects the employee organizations much more than it does the employer. The employer is conscious that if he does not agree to a non-arbitrable provision, it cannot be imposed by an arbitral award. Thus, issues may simply go unresolved.

This has serious implications for professional employees who are not, on the whole, seriously inclined to consider the strike route, for both philosophical and practical reasons. This means that the inclusion of non-monetary provisions in their collective agreements depends solely on the good-will of the employer. To date, the results have not been particularly impressive.

This phenomenon, together with the fact that the arbitral awards tend to provide for standardized moderate wage increases no matter what the circumstances[59] tends to undermine the credibility of the Public Service Arbitration Tribunal and of the arbitration process itself.

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[57] For a review of the major decisions of the Public Service Arbitration Tribunal on this point, see: PSSRB, *Fourth Annual Report, 1970–1971,* op. cit., 72–80.

[58] The British model may also have influenced the framers of the legislation although it seems rather irrelevant because the scope of collective agreements is normally more limited in the U. K. than it is in North America. See: Preparatory Committee, op. cit. p. 34.

[59] Supra, no. 52.

THE GRIEVANCE PROCEDURE.

The statutory grievance procedure created by the Public Service Staff Relations Act has also been a source of difficulties for the professional public servants, although the problem may be less obvious.

Under the Act, an employee can file a grievance and, in some cases, refer it to arbitration.[60] It was felt that, "in the interests of equity and uniformity, . . . all the departments and agencies . . . (should be required) to introduuce a grievance procedure with certain basic characteristics and to make it available to all persons in their employ."[61] With regard to the grievances pertaining to the implementation or application of collective agreements, however, problems have arisen because of the limited role which the Act recognizes to bargaining agents with regard to the filing or processing of grievances.

Under Sec. 2 of the PSSR Act, a grievance may only be presented by an employee "on his own behalf or on behalf of himself and one or more employees." Furthermore, the right of an employee to act on behalf of others has been strictly defined: it exists only when the grievance is the same and when the other employees are identified or easily identifiable.[62]

Sec. 98 of the PSSR Act authorizes the employer and the employee organization to refer a question to the Chief Adjudicator. However, such a reference is only possible "to enforce an obligation that is alleged to arise out of a collective agreement" whenever the enforcement of such an obligation cannot be sought by an individual grievance.[63]

As a result, in practically all cases, only an employee can file a grievance and refer it to arbitration. Thus, if employees are unwilling to act, the employer may be free to misinterpret or misapply a collective agreement.

In practice, there can be little doubt that professional employees generally are somewhat reluctant to file formal grievances. This may stem from a number of reasons: a feeling that such conduct is unprofessional, a fear that it may endanger their career prospects or their entitlement to merit pay, a lack of enthusiasm for collective bargaining or, simply, greater mobility. This greatly complicates the task of implementing collective agreements and it may thus reduce the effectiveness of collective bargaining. Hopefully, this problem can be resolved by provisions enabling a bargaining agent to file policy grievances or group grievances, without the active cooperation of the employees involved.

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[60] Supra, no. 40, 41.

[61] Preparatory Committee, op. cit., p. 38.

[62] See: J. G. Levesque, J. A. A. Beauchamp et al v. Treasury Board, W. S. Martin, Chief Adjudicator, PSSRB Ref. M-462 (1969); A. Southern & Treasury Board, W. S. Martin, Ch. Adj., PSSRB Ref. M-483 (1969).

[63] PSSR Act, 1970 Can. Rev. Stat. c. P-35, sec. 98.

Conclusion

The introduction of collective bargaining in the Public Service of Canada and the decision of professional public servants to avail themselves of the provisions of the Act was certainly a major step in opening the door to the unionization of professionals in English Canada. If the experience is successful, it could have widespread repercussions.

Nevertheless, it would be foolish to assume that federally-employed professionals are all irretrievably committed to collective bargaining. It is more likely that the success or failure of their involvement in collective bargaining will shape their attitude.

Unfortunately, the Public Service Staff Relations Act itself has placed a number of obstacles in their path, some of which appear to serve no valid purpose. It is to be hoped that these can be corrected or avoided in the near future.

A Cross-Cultural Study of Teachers Attitudes Toward Job Satisfaction, Professionalism and Collective Negotiations*

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This paper reports on research into teacher attitudes toward job satisfaction, professionalism, and collective negotiations and the interrelationship between the variables within a cross-cultural setting.

The three major variables utilized in this study are defined as follows:

> *Job satisfaction* is the degree to which individual motives are gratified in a work situation. The term should be considered in a multidimensional way. In other words, no one factor "by itself" can produce a situation of high teacher satisfaction.[1]
>
> In reviewing the literature on *professionalism*, one is unable to find a widely accepted definition of the term. Therefore, we shall focus upon the various elements of professional occupations such as: expertise in a systematic body of theory usually requiring extended education; right of group to determine competency and establish standards for entry; relative autonomy in performance of role; an occupational code of ethics; the existence of a professional association; and a stronger emphasis on service rather than personal gain.
>
> *Collective negotiations* represents some method of formal bilateral determination of the employment relationship in which management (or public agency) deals contractually with a union or professional association. The issues relate primarily to wages or salaries, hours and working conditions.

Having defined the variables, we now shall outline the major sections of the paper. First, a review of the pertinent literature will be given. Secondly, the methodology and research design will be summarized. The third section will report on the result of the hypotheses testing. Finally certain broad conclusions will be treated.

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[1] Charles E. Bidwell, "Administration and Teacher Satisfaction," *The Phi Delta Kappan*, April 1956, p. 286.

Review of Pertinent Literature

A fairly considerable body of literature exists on teacher satisfaction *per se* or in relating satisfaction with a number of demographic or socioeconomic variables.[2] Most of the studies have found that higher job satisfaction is associated with women, older teachers, and teachers in the elementary grades. Earlier research by Hellriegel, French and Peterson found secondary school teachers most satisfied with classroom teaching and community response while most dissatisfied with social status and salary.[3]

A somewhat smaller body of literature is found on the professional attributes of the teaching field. Previous research suggests that although many classroom teachers view themselves as professionals that this view is not generally shared by the wider community. Furthermore, their role as employee restricts their opportunity to exercise autonomy in the job, which Wilensky considers a crucial element of the criterion for professionalism. Generally, research has shown secondary school teachers to be more professionally oriented than teachers at the primary school level.

There has been a paucity of research relating to teacher attitudes toward collective or professional negotiations.[4] Most of the research has shown that younger teachers and teachers at the secondary school level are more supportive of collective negotiations than are older teachers or teachers at the elementary level.

The Hellriegel, French and Peterson study provides the only known attempt to test the interrelationships between the three variables. However, there has been some research on the relationship between professionalism and collective negotiations. Corwin argues that collective negotiations emerge, in part, as a result of the professionalization process.[5] On the other hand, MacGuigan contends that one must first begin with negotiations which will lead the teachers toward greater professionalism, ". . . for it will restore to them in some measure the independence and self-control of what they have been deprived by their status of employees."[6]

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[2] For reference to specific studies see Richard B. Peterson, *Teacher Attitudes Toward Professionalism, Job Satisfaction and Collective Negotiations: A Cross-Cultural Study*, Final Report to U.S. Office of Education (Bureau of Research), April 1972, pp. 7–17.

[3] Don Hellriegel, Wendell French and Richard Peterson, "Collective Negotiations and Teachers: A Behavioral Analysis," *Industrial and Labor Relations Review*, April 1970, pp. 390–391.

[4] For citations, see Bibliography in Peterson, *op. cit.*, pp. 76–77.

[5] Ronald Corwin, *A Sociology of Education: Emerging Pattern of Class, Status, and Power in the Public Schools* (New York: Appleton-Century-Crofts, 1965), p. 263. Also, see his articles "Militant Professionalism, Initiative and Compliance in Public Education, "*Sociology of Education*," Summer 1965, pp. 310–331, and "Professional Person in Public Organizations," *Educational Administrative Quarterly*, Autumn 1965, pp. 1–22.

Methodology and Research Design

The research involved measuring the attitudes of a random sampling of primary and secondary public school teachers in the State of Washing and Swedish secondary school teachers through the means of a questionnaire. The questionnaire approach was used principally because: a) it would allow us to use a fairly large sample population; b) the cross-cultural nature of the study would result in prohibitive costs if interviews and observation were utilized; and c) the data would be amenable to statistical testing.

RESEARCH INSTRUMENT

The questionnaire consisted of five parts. The first part asked for demographic characteristics of the respondent including: level of teaching; sex; marital status; age; level of formal education; years of teaching experience; professional affiliation; occupational background of father; and early background.

The next three parts represented the instruments for measuring the three major variables. The job satisfaction instrument consisted of ten questions culled from the major dimensions used in the Purdue Teacher Opinionnaire which has been tested for reliability and validity on a number of occasions.[7] The specific elements included: rapport with principal; satisfaction with teaching; rapport among teachers; salary; class load; curricular issues; status; community support for education; school facilities and services, and community pressures.

The professionalism instrument represented the eight elements of professionalism cited earlier under definition of terms. Similarity of the elements with Corwin's Teacher Orientation Survey was noted.[8] The negotiations instrument was developed by the author to determine the effects of collective negotiations on: teacher salary; quality of education for students; professional status; administrators' acceptance of legitimacy of negotiations; the right to strike, binding arbitration, impact on decision-making process; and over-all satisfaction with job.

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[6] Mark R. MacGuigan, "Arguments For and Against Collective Bargaining by Professionals," in *Collective Bargaining and the Professional Employee Conference Proceedings*, John H. G. Crospo editor (Toronto: Centre for Industrial Relations, 1966), p. 31.

[7] The Purdue Teacher Opinionnaire has evidenced both high validity and reliability in a number of situations. For documentation see Ralph R. Bently and Averno Rempel. *The Purdue Teacher Opinionnaire* (West Lafayette: Purdue Research Foundation, 1967). See particularly pp. 4, 5, and 8.

[8] See Ronald Corwin, *Staff Conflicts in the Public Schools*, Cooperative Research Project No. 2637, Department of Sociology and Anthropology, The Ohio State Universtiy, 1966.

The final part sought to ascertain over-all attitudes toward the three major variables as well as the compatability of the variables with one another as perceived by the respondents.

Both the cover letter and questionnaire were translated into Swedish by a native-born Swede who taught the language and was familiar with the field of public school education in both countries. To insure that the meaning was not changed in translation, the translator orally translated the questionnaire back into English for the researcher.

Scoring Procedure

The attitudinal sections of the questionnaire were so designed to allow for a) direct measures of satisfaction with the element and b) indirect measures utilizing the need deficiency score. The latter method consisted of asking the respondent how much is there of the element, how much should there be, and how important is the element.[9] By use of the subtractive method, we could determine the level of need deficiency. Using a seven point scale from minimum to maximum, the respondent was considered to have high need deficiency if part 2 (how much should there be) of each question was 2 or more numbers greater than part 1 (how much is there). Differences of one point or less represented low need deficiency.

Correlation analysis and analysis of variance (F Test) were employed to test the various hypotheses reported in the following section of this report.

Data Collection

The sample population represented teachers and principals who were members of the Washington Education Association (WEA), Washington Federation of Teachers (WFT), National Association of Swedish Secondary School Teachers and the Swedish Rektors Association. The cover letter and questionnaires were sent out by the respective organizations and the unopened returns were forwarded to the researcher. The major findings contained in this paper will be confined to teacher attitudes. Principals were included in the larger study to ascertain whether principal perceptions of teacher attitudes were congruent with the attitudes held by teachers themselves.

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[9] For illustration, listed below is one of the questions used in the study:

My present teaching position requires a reasonable workload:

How much is there now?	Minimum	1	2	3	4	5	6	7	Maximum
How much should there be?	Minimum	1	2	3	4	5	6	7	Maximum
How important is this to me?	Minimum	1	2	3	4	5	6	7	Maximum

Major Findings

In all, 2200 questionnaires were distributed to teachers and principals in the State of Washington and Sweden. Usable responses were received from 1054 (48%) or 876 (46.1%) for teachers alone. The response rate was higher for the Swedish respondents.

How might we characterize the background of our respondent teachers. He was married, between the ages of 35–44, taught at the high school level, had less than 10 years teaching experience with the first university degree. His father had been employed in a manual occupation.[10]

GENERAL ATTITUDINAL PROFILE

How may one characterize the over-all attitudes of the Washington (including elementary) and Swedish teachers with regard to the categories of job satisfaction, professionalism, and collective negotiations? Table 1 reports what is, what should be, and felt level of inportance for each of the categories.[11]

Both teacher groups are moderately satisfied with overall level of satisfaction (what is). Washington teachers have a somewhat higher need deficiency score and give greater importance to job satisfaction than their Swedish counterparts. A similar profile is found for over-all level of professionalism. However, here we find higher need deficiency for the Swedish teachers though Washington teachers place more importance on professionalism.

Before commenting upon attitudes toward collective negotiations it should be mentioned that the Swedish respondents only answered three of the eight questions because of inapplicability of some of the questions to the Swedish scene. Overall, the Washington respondents are barely in the neutral range, while the Swedish teachers exhibit a fairly high level of dissatisfaction with the state of collective negotiations.

HYPOTHESIS TESTING

It was expected that demographic characteristics of the respondents would relate to teacher attitudes in the two countries based upon the literature review. Testing of hypothesis 1.0 below bore out this contention for a sizeable number of demographic characteristics.

1.0 There will be significant differences in the attitudes of responding

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[10] If we include primary teachers in Washington, the Washington respondent was more likely to be a woman and teaching at the elementary level.

[11] For the purpose of this report a score of 3.5 to 4.5 is interpreted as falling into the neutral category. Scores lower than 2.5 or higher than 5.5 are translated as highly dissatisfied or satisfied, and the intermediate ranges as moderately satisfied or dissatisfied.

TABLE I

Average Mean Score and Standard Deviations (By Category) for Attitudes Toward Job Satisfaction, Professionalism and Collective Negotiations (Washington and Swedish Teachers)

	(N = 569) Washington Teachers		(N = 309) Swedish Teachers	
Attitudinal Category	Mean	SD	Mean	SD
Job Satisfaction				
What is	4.7866	.9602	5.2399[a]	.9057
What should be	6.0258	.7240	6.2039	.9850
Importance	5.8142	.7982	5.7569	.9813
Professionalism				
What is	4.6090	1.0428	4.4333	.9580
What should be	5.7660	.8765	5.7775	1.0344
Importance	5.6195	.9362	5.3617	1.0507
Collective Negotiations				
What is	3.5336	1.2937	2.9558[b]	1.4909
What should be	5.3994	1.1733	6.0680	1.3315
Importance	5.2557	1.2289	5.4811	1.4570

[a] Based upon only 8 of the 10 questions used in the Washington survey

[b] Based upon only 3 of the 8 questions used in the Washington survey

teachers toward job satisfaction, professionalism and collective negotiations on the basis of demographic characteristics.

A larger number of significant correlations were found for the Washington teachers than was true for the Swedish teachers. Particularly noteworthy, was the fact that while age and experience showed a large number of significant correlations, the correlation coefficients were positive for Washington teachers and negative for Swedish teachers. Interviews with staff members in Stockholm clarified the issue. Recent reforms in the Swedish education system have resulted in more dissatisfaction by the older and more experienced teachers. On the other hand, the older and more experienced teacher in Washington is either more satisfied with their position and/or feels less threatened by changes.

For the Washington respondents, female and older teachers evidenced more favorable attitudes than their male and younger counterparts. These findings are supportive of earlier research for the first two variables but somewhat surprising for the collective negotiations questions.

The major premise behind this study was that teacher attitudes could not be compartmentalized. It was expected that a strong interaction would exist among the three major variables. For example, if the teacher is extremely dissatisfied with salary and perceives low economic status as incongruent with strong professional orientation, then attitudes toward the one set of variables will have some influence on the other attitudinal variables (e.g. professionalism).

Three hypotheses were posed. Each of the hypotheses were tested by comparing the answers (average of deficiency scores) for the sum of all questions within the category with answers to specific questions in the other categories of variables. The first of the hypotheses was worded as follows:

> 2.0 Those teachers with generally lower need deficiency scores for *overall* job satisfaction will also experience significantly lower need deficiency scores for *specific* statements regarding professionalism and collective negotiations than those teachers with higher need deficiency scores for job satisfaction. (Washington teachers only)

Analysis (F Score) of all the possible comparisons showed consistency between overall need deficiency and need deficiency for specific questions. Those respondents with low need deficiency (higher satisfaction with attitudinal variable) were also likely to be relatively more satisfied with sub-elements of the other two variables. As an example, teachers who were generally satisfied with their jobs were also likely to be more satisfied with professional opportunities and negotiations. The reverse also held true. Fifty of the fifty-two possible comparisons showed significant differences at the .05 level of significance.

The last hypothesis relates to comparing the need deficiency scores for Washington and Swedish secondary school teachers and is worded as follows:

> 3.0 There will be significant differences between the responses of American (State of Washington) and Swedish secondary school teachers toward professionalism, job satisfaction, and collective negotiations as measured by the need deficiency score.

In testing for significance, the data was broken down into junior and senior high school teachers.

The analysis (though not reported here) showed that Swedish respondents experienced more cases of low need deficiency than did their Washington counterparts. Both sets of respondents experienced low need deficiency (less than −1.0) for less than one-half of the questions. If this method of comparison is valid, then both national samples were categorized as less satisfied with the job, professional opportunities and negotiations. Over-all, significant differences were found for approximately three-fourths of the attitudinal questions thus partially supporting the hypothesis.

Finally, when asked about the compatability of a) professional values and b) job satisfaction with collector negotiations, we found the combined teacher samples as moderately agreeing to such compatibilities.

Discussion

Four broad conclusions emerge from the analysis of the data and testing of hypotheses. First, certain demographic characteristics are related to the attitutes expressed by the respondents. Possible explanations were advanced for the inconsistency of the Swedish and Washington teachers' findings on age and teaching experience.

Secondly, a strong interrelationship seems to exist among the three major variables of job satisfaction, professionalism and collective negotiations. Washington teachers who were relatively more satisfied in one area also were likely to be more satisfied with other variables. Is it possible that there is a more global attitudinal profile such that people with positive feelings are generally consistent in their specific attitudes while the persons with negative outlooks evidence specific negative scores to specific areas? The findings would not necessarily support the position that collective negotiation is a defensive reaction to felt dissatisfaction in the areas of job satisfaction and professionalism.

Thirdly, if our sample findings can be generalized, it would seem that attitudes vary across national boundaries. Longer experience with collective negotiations by Swedish teachers provided no indication of more positive attitudes toward its positive effects on salary, influence on decision-making and over-all satisfaction. The unsuccessful teacher's strikes in Sweden in 1966 and 1971 and the governmental policy of income solidarity (reduced range of wages and salaries in Swedish society) may offer partial explanation.[12] Furthermore, we find both sets of teacher respondents least satisfied with the collective negotiations area whether we rely on mean scores or need deficiency scores.

Finally, our data suggests that there is no necessary incongruity between professionalism and collective negotiations. Early writings in the field suggested that employees with high professional values would be unsympathetic to collective negotiations and any possible positive effects of bargaining. Our research supports the findings of Kleingartner[13] regarding engineers. Furthermore, the findings do not refute the arguments of Corwin or MacGuigan, but at the same time do not answer the chicken and egg issue of whether professionalism leads to negotiations or vice versa.

In conclusion, this research raises more questions than it necessarily answers. Meaningful insights must emerge through follow-up interviews when we might understand how the individual teachers perceive the interrelationship of job satisfaction, professionalism and collective negotiations. What clearly emerges for both teacher samples is the neutral to negative perceptions of the negotiation process on such factors as salary, quality of education, etc. The American results might be explained by the divisions of teachers by professional or union models. We are less able to explain the high need deficiency scores for the Swedish teachers. Continuing research using other professional and paraprofessional occupations will allow us to determine the general reliability of our findings.

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[12] For details, see Everett Kassalow, "Professional Unionism in Sweden," *Industrial Relations*, February 1969, pp. 119–134; Boyd Hight, "Teachers' Bargaining and Strikes: Perspective from the Swedish Experience," *UCLA Law Review*, Volume 15 (1967–1968), pp. 840–876; and "Government Lockouts, Strikes Disrupt Sweden," *Seattle Times*, February 21, 1971, p. A–16.

[13] Archie Kleingartner, "Professionalism and Engineering Unionism," *Industrial Relations*, May 1969, pp. 224–235.

When Diplomats Engage in Collective Bargaining

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The Professional Association of Foreign Service Officers

History

In the good old days before the war, consultations between the Canadian Government and staff associations, representing public servants, had been carried out, but although the Minister of Finance was usually prepared to listen to arguments concerning salaries, and although individual government departments received representations by staff associations, the system tended to leave civil servants in the position of suppliants, largely dependant upon the good will and generosity of the government. Decisions were in the end always unilateral.

After the war was won, it was abundantly clear that the Public Service of Canada had to be reorganized because of the tremendous growth which had taken place between 1939 and 1945. By the late 50's the job could no longer wait and a Royal Commission which became known as the Glassco Commission, was appointed to look into these matters. The report recommended sweeping changes in the organization and methods of the entire Civil Service and shortly thereafter, the Government undertook to introduce a system of collective bargaining into the Public Service.

As a first step in coming to grips with the concept of collective bargaining, and its many implications a committee was set up, headed by one of Canada's most distinguished public servants, Mr. A. D. P. Heeney. After a great deal of work on the part of this commission the anticipated collective bargaining legislation came into effect on February 23, 1967. An "Act Respecting Employer and Employee Relations in the Public Service of Canada" became law. At the same time changes were made in the Civil Service Act and the Financial Administration Act in order to bring the entire Civil Service system into line with the requirements of collective bargaining.

A unique feature of the law was the provision which requires bargaining agents, prior to entering into contract negotiations, to choose either arbitration or conciliation (with the right to strike) as the method of resolving matters in ultimate dispute. Under the law an independent Public Service Staff Relations Board (PSSRB) was appointed to regulate and referee the collective bargaining process.

As part of the re-organization, functions of the Civil Service Commission relating to classification, pay, leave, hours of work, and holidays were transferred to the Treasurey Board (TB). The Commission was left in effect with responsibility only for staffing policies and procedures relating to the preservation of the merit system. The TB on the other hand was to become the "general manager" of the Public Service vested with authority and responsibility as the representative of the employer for nearly all the Public Service.

Approximately 700 civil service classes and 1,700 grades were reclassified and boiled down to six occupational categories (executive, scientific and professional, administrative and foreign service, technical, clerical, operational) made up of 74 occupational groups.

The members of each occupational group were to be represented in collective bargaining and grievance procedures by a bargaining agent. Any staff association having in its membership more than half of the employees in any occupational group could be certified as the bargaining agent for that group.

PAFSO

In early 1965 when it became apparent that collective bargaining was going to become a reality, a few members of the foreign service based in Ottawa decided to examine how the interests of the foreign service could best be served in the new situation. It was clear that under the reclassification process which was being formulated the foreign service would be fragmented. The few hundred foreign service secretaries, for example, would become part of the secretarial occupational group which would be dominated by more than 1,500 home based secretaries. Other categories of foreign service employees would find themselves assigned to other bargaining groups which were also predominately Canadian based. Under the legislation contemplated these foreign service employees would be represented only by the staff association claiming as members the majority of the particular group in which they found themselves. It was therefore clearly impossible to form a foreign service association which could represent all members of the foreign service.

Foreign Service Officers (FSOs) were an exception. They made up the entire "foreign affairs group" within the Administrative and Foreign Service category and could thus choose the bargaining agent for the group. It was evident therefore that the FSOs were the only occupational group which would be able to concentrate on the specific problems of the foreign service.

In February of 1965 the FSOs established a provisional group under the leadership of William E. Bauer to study the implication of collective bargaining and to reach some conclusions about the steps which should be taken to meet the new situation. All FSOs in the Canadian Foreign Service were asked for support and for token donations to finance the operation and approximately 65% of those in Canada and abroad responded. By the end of 1965 the group's executive board had reached the conclusion that the only practical response to collective bargaining was the formation of an association of Foreign Service Officers.

PAFSO Founded

At the founding meeting of the Professional Association of Foreign Service Officers on January 12, 1966, the officers of the provisional group therefore recommended the formation of the Professional Association of Foreign Service Officers (PAFSO). A motion to this effect was unanimously adopted, along with a draft constitution, which set out the aims of PAFSO in ambitious terms:

> "to further the interests of its members, to protect the status and standards of their profession, and to maintain and promote the effective functioning of the foreign service of Canada; to act as the bargaining agent on behalf of its members; and to formulate and express the corporate view of the members on matters affecting them."

The constitution itself had been designed to provide for the widest possible participation in the association and for maximum continuity in its executive. It was already clear that many FSOs would be designated as "managerial personnel" and, as such, barred from direct participation in the collective bargaining process. Despite this, it was strongly felt that every FSO should be able to support and benefit from the work of the Association as a professional group and to take advantage of the various services which would be provided. Two classes of members were therefore created: ordinary members, comprising FSOs other than those expressly excluded from direct participation in collective bargaining, and associate members, comprising those FSOs who were expressly excluded from direct participation. (Because of the rotational nature of the service, it was also provided that associate members should become ordinary members whenever and for such periods as the exclusion did not apply). Ordinary members enjoyed all the rights and privileges provided for in the constitution, while associate members were not eligible to hold office on the Executive Committee, to nominate members for positions on the Committee, to propose amendments to the constitution, or to serve as delegates to any meeting or function concerned with the relationship of the Association to the employer in collective bargaining.

The Executive Committee was to consist of not less than 11 or more than 15 members of the Association who were to be elected at a biennial election carried out by secret ballot throughout the service. Any member of the executive posted away from Ottawa following his election could be replaced by an officer co-opted from the membership of the Association in Canada.

The Executive Committee was authorized by the constitution to enter into agreements with the employer which would be binding upon all members of the Association and to cooperate with and act in concert with any other organization of federal public service employees.

Despite the difficulty of communicating with a far-flung membership, the constitution provided for full participation of all members in elections and the process of constitutional amendment. This involved a minimum of 90 days advance notice for the election process, but on the first elections held late in 1966 no difficulty was encountered.

First Steps

The provisional executive of PAFSO estimated in early 1966 that about a year would elapse before collective bargaining would become law and that another year would pass before PAFSO would enter into contract negotiations. It decided to concentrate during the first year, on building up a strong organization which could then carry out the preparations required for bargaining.

By means of a series of letters and a tabloid newspaper (Aide Memoire) all FSOs were informed of the new situation and urged to join PAFSO. Earlier fears about the attitude of FSOs were quickly dispelled—within six months, 75 percent of all permanent officers had joined.

Concurrently, PAFSO negotiated a series of group insurance programs which have been heavily supported by the membership: 1) life insurance coverage of three times annual salary (up to $75,000) at a rate according to age, without medical evidence of eligibility; 2) salary continuance insurance, providing 50 percent of an insured's gross salary for as long as he is unable to work; 3) personal liability insurance; 4) personal effects insurance; 5) life insurance on wives; 6) vehicle transportation insurance, and 7) accidental death and dismemberment insurance for members and dependents. The PAFSO insurance package—probably the most comprehensive offered by any staff association in Canada—is administered by the Association in cooperation with its brokers and underwriters.

In 1967 PAFSO had a membership of 500 officers, one full time employee and a budget of $9,000. That is how it was.

The Present

Where are we today? Well the PAFSO had a total membership of 780 members from the Department of External Affairs, and Industry, Trade and Commerce as of December 4th of this year. Of this total number 185 are managerial or confidential exclusions. This membership represents 96 percent of the total eligible Foreign Service group (FSs) which is quite remarkable by any standards. This month, on December 5th, another group of 215 FSs from the Department of Manpower and Immigration (M&I) were voted unanimously into PAFSO, and their applications for membership are still coming into the office. We have reasonable premises in the middle of Ottawa on Confederation Square, a permanent staff of three, and our budget balances; in fact in 1973 we are budgeting for a surplus of $6,000. But the most important factor of all is that during our six years of history there has been a handful of FSOs who were prepared to devote their time and energy—outside of office hours and for no pay—to association activities.

Two Agreements

To date we have signed two Agreements with the TB and are now preparing to negotiate a third. The distinguishing feature of the current contract is the "performance pay" system. At the negotiations, last year we took the position that only a "satisfactory performance" increase, and not set percentages for varying levels of performance, should be incorporated into the agreement. This was accepted but it is too early, after only one year's experience, to pass a definitive judgement on the merits of "performance pay" applied to the FS group. In any event, the appraisal system which is an essential prerequisite, is still in the process of refinement and will likely continue to require improvement for a number of years.

Foreign Service Directives

Our other terms and conditions of employment outside the "Agreement" are embodied in a set of regulations termed the Foreign Service Directives (FSDs) which include:

Travel and Removal
Education and related care of dependent children
Shelter
Medical and related expenses
Foreign Service Allowances

Most of these apply to life abroad and besides few of them are "arbitrable" under the Public Service Staff Relations Act (PSSRA) and we therefore took them out of the Agreement and "consulted." Following nearly a full year of complex consultations between the TB, the Departments, and the Staff Associations concerned, recommended changes in the FSDs were accepted by the National Joint Council (NJC) and the Government for implementation starting July 1, 1972. The new package represents the best efforts of both management and staff side to reflect the needs of the foreign service as a whole. The "option clause," which allowed FSOs to remain under the old FSDs for one year, afforded protection to those who saw no particular advantage in the amended directives.

PROFESSIONAL ASPECTS

There is an increasing awareness that PAFSO should devote more of its energies to the professional interests of the membership as opposed to the emphasis so far placed on collective bargaining and related matters. This refers to the maintenance of the foreign service as a career requiring high and exacting standards of performance on a continuing basis, capable of responding to the growing scope and changing character of intergovernmental relations, open to the challenge of governmental service as a whole, and not centered unto itself or overly obsessed with its distinctiveness.

With these interests in mind we are establishing a continuing group functioning under the PAFSO umbrella and including both ordinary and associate members, which will make it its task to examine issues in depth and formulate views about our professional concerns, as well as generally act as a sounding board. We hope that those members who for many years have regretted the trade union character of PAFSO will respond well to this initiative.

The Future

All in all the present condition of PAFSO is healthy, but what about the future? John Sharpe, our past president, who had held that position for three years had something to say about this subject, just a year ago. Of paramount interest to the Association are the recommendations of the Clyne Committee, appointed by the Government to make recommendations on personnel policies for the executive and managerial groups in the Public Service. One of these recommendations, proposes that exclusions from collective bargaining should go further down into the quasi-managerial class and encompass our entire group. The rationale is that we generally exercise managerial or near-managerial functions at all levels.

This proposal, not yet accepted by the Government, raises very serious and fundamental issues for us. It seems highly unlikely that the Government will accept the implications of taking a decision to exclude us from bargaining. The Government might, however, be prepared to seek an accomodation with us if we were to decide to explore some other course.

In consultations with the Bryden Commission appointed by the Cabinet to look into possible changes in the PSSRA the Association discussed, but took no position on, the courses open to us other than collective bargaining.

The Act which was written for the whole of the Public Service has turned out to be extremely restrictive for a professional group such as the FSOs. Two bargaining avenues are open: arbitration and conciliation (with the right to strike). The latter route is obviously closed to us, and the official side knows this, so we are left with binding arbitration.

Section 70 (1) of the PSSRA states:

> "An arbitral award may deal with rates of pay, hours of work, leave entitlements, standards of discipline and other terms and conditions of employment directly related thereto."

Section 70 (3) of the Act places further restrictions on the employee:

> "No arbitral award shall deal with the standards, procedures or process governing the appointment, appraisal, promotion, demotion, transfer, lay-off or release of employees."

The Arbitration Tribunal has further restricted the employer's rights by ruling the following, amongst others, to be non-arbitrable:

Job security
Statement of duties
Pay implementation and
  pay cheques
Employee performance review
Working accomodations
Duration and renewal

Joint consultation
Optional retiring leave
Grievance procedure
Suspension
Retroactivity
Membership fees

Also Section 56 (2) of the Act specifically states that:

> "no collective agreement shall provide directly or indirectly, for . . . . any new term or condition of employment . . . . that has been *or may be* . . . . established pursuant to the following Acts: Government Employees' Compensation Act; Government Vessels Disciplinary Act; Public Service Employment Act; Public Service Superannuation Act."

For a small group such as the PAFSO the Act leaves us in a very weak position but, strangely enough, we have prospered! The consensus of opinion is that we have done better by being unionized than if we had remained in the management group. Surely, fighting against such odds, and winning, must speak rather well for the men in the Foreign Service of Canada.

At a farewell dinner party held in his honour last June the retiring President, John Sharpe said:

> "As for the future, I would hope to see an Association with more emphasis on things professional and less emphasis on things union. Until the Government announces its intentions with regards to amendments to the Public Service Staff Relations Act, it is really not possible to say with certainty whether this Association should alter its approach to collective bargaining. Personally, I have found my views have gone through a sea of change in the past three years. Like a good many of us, I was skeptical of our group remaining in a collective bargaining situation for very long because, I felt, it would be ultimately destructive of professionalism. The longer I served the Association and the more I thought about it, the more I came to the view, which I think has been held by many on leaving the Executive, that is, barring any change in the basic legislation, it is difficult to conceive of how we could devise a process which would protect us as well as collective bargaining has done. I think it is generally agreed on the Executive that we should be very careful now about seeking to remove ourselves from the negotiating process."

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* The remarks presented in this paper are personal and do not necessarily reflect the official views of the Professional Association of Foreign Service Officers.

DISCUSSION

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A discussant with four papers to review at the end of a long program is not in an enviable position. This is especially the case when the discussant finds himself admonished by the chairperson—or whatever one calls a female in the chair these days—to be serious, even sombre, and to avoid any stories. Under the circumstances, one can but try to be mercifully brief and to the point.

My general reaction to all four papers is hardly one of surprise, since I am reasonably familiar with the various experiences in question, all of which are handled in a fairly straightforward manner by the speakers. One pronounced theme that runs through virtually all four papers is that professionals, however they may be defined, continue to remain ambivalent about the question of collective bargaining. Clearly, controversy persists about the compatibility or incompatibility of collective bargaining and professionalism.

To put it rather bluntly, many-called professionals obviously want to waddle and quack like ducks without being called ducks. Thus, they join in groups that term themselves associations, institutes, societies, anything but trade unions. Similarly, they prefer arbitration to strike action, and even when contemplating the latter, prefer to label their collective withdrawal of labour as resignations, study sessions, or some such thing.

Despite their continuing ambivalence, professionals in increasing numbers are turning to collective bargaining, at least in the public service, and especially where arbitration is available on a silver platter and they do not have to contemplate resort to economic muscle, assuming they have any. The latter qualification is not an idle one, since many professionals, again particularly in the public service, could withdraw from their jobs for some time before they would really be missed. Categories of professional public servants that come to mind in this regard are diplomats and economists.

Having said all this, it is noteworthy that none of the four speakers made any specific reference to the collective action that some of the more learned and respected professions have been taking for some time. Restriction of entry and setting of fees are hardly unknown practices in many of the traditional professions, and while these may not be termed collective bargaining in the normal sense of that term, they certainly do exemplify very effective use of collective economic power.

One might even classify the activities of some such professional groups as "collective bludgeoning," as distinct from "collective bargaining."

The four papers touch on a number of issues and problems with which one could deal at length. One is the nature of the bargaining unit for professional employees, particularly in relation to how high up the managerial or supervisory hierarchy the bargaining unit can be allowed to extend without setting the stage for undue conflicts of interest for those at higher levels included in the unit. Another issue or problem brought out by several of the speakers relates to the scope of bargaining and/or arbitration, especially with respect to civil service regulations designed to protect the merit principle. Still another contentious matter is that of dispute-settlement procedures, on which the writer could spend many hours of debate. Even more intriguing is the question of whether collective bargaining by professionals really comes to grips with many of the problems that are apparently bothering those involved. As I shall indicate shortly, I have some serious misgivings and reservations about the answer to this question.

Looking to the future, two interesting sets of implications come to mind. One is the implications for their counterparts in the private sector of what is going on among employed professionals in the public service. I myself would be very cautious about drawing any conclusions with regard to the private sector from what is taking place currently in the public sector.

A second and more significant implication concerns the issue of professionalism itself. I once engaged in a futile attempt to come up with a satisfactory definition of that term, namely, any calling, occupation or trade requiring an unusually high degree of knowledge, skill and personal integrity. Latterly, I have given up trying to define professionalism in any manner that will command much general support among those concerned. Instead, I have contented myself with asserting rather dogmatically that any profession that is worth its salt must permit scope for individual reward in relation to individual performance.

It is in this latter context that I worry about the relationship between collective bargaining and professionalism. Although I agree there is no inherent incompatibility between the two, I believe there is much potential for such incompatibility. This danger grows out of the collective tendency towards a "herd" or "lowest common denominator" effect whenever groups of employees and quasi-employees get together to advance their positions in society. The net result, as in the teaching profession, is often a rigid lock-step salary system, based on time served within and beyond higher education rather than on any meaningful measure or standard of merit. In addition, pressure for promotions based as much, or more, on seniority as on ability often comes to the fore.

Admittedly, there are exceptions to these purported risks, as demonstrated by organized groups in the musical, newspaper and theatrical professions, where the emphasis is placed on minimum scales, and advancement in any form beyond these scales is based on individual merit and performance. If I could be assured that collective bargaining among professionals in other areas would take a similar direction, many of my personal concerns would be alleviated.

Finally, may I refer to my own profession, if that is what it is. Faculty members in growing numbers are turning to trade unionism and collective bargaining in various forms and guises, for reasons that include most prominently fear of further budget cuts and threats to their guild or tenure systems. As many faults as there are in the present guild-type tenure system, it still leaves room for pay and promotion standards based on some concept of individual effort and output. Whether that remaining scope will be protected under a trade union and collective bargaining regime is dubious, to say the least. It is because of this fear, and despite my strong belief in trade unionism and collective bargaining, that I have such deep concerns about their potential effect on whatever degree of professionalism can be said to be left in academia.

Although I have not discussed the speakers' papers in as much detail as a discussant probably should, I think it should be clear by now that their contributions have provoked and stimulated me to think about some of the major difficulties implicit in professionals' adoption of a trade union and collective bargaining approach.

In conclusion, I might suggest that it would be appropriate and timely for the I.R.R.A., since academics represent such a large proportion of our present membership, to consider a special session on the implications of trade unionism and collective bargaining for faculty members.

XIII. THE WORK ETHIC AND WELFARE REFORM

From Labor's Point of View

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It is no accident that the first time the IRRA discusses welfare reform it focuses on "the work ethic." You might argue that this is because employment policy has always been considered to be in the IRRA's purview and therefore the work aspect of welfare is the appropriate one for IRRA's consideration. That may be the reason but I doubt it.

I think that we are much more likely to find the reason in what I for one fully accept as the prevailing American mores about welfare. It has been expressed many times in recent years and by many people—in high and low status alike—but perhaps it was summed up most succinctly in President Nixon's Labor Day message. On Labor Day, the President said:

> "We are faced this year with the choice between the 'work ethic' that built this nation's character—and the new 'welfare ethic' that could cause that American character to weaken."

Now when the President, or any one else, says "welfare," what he means is AFDC—the Aid to Families With Dependent Children Program we have had since the enactment of the Social Security Act of 1935. AFDC is Title IV of the Social Security Act. Of course, we have other categories of welfare too—Old Age Assistance, Aid to the Permanently and Totally Disabled and Aid to the Blind. Like AFDC, all of these so-called "adult category" programs are Federally-subsidized with considerably higher payment levels than AFDC. In the last Congress, they were brought together into a single Federal program called Supplemental Security Income. But despite the desire of many people in these categories to obtain employment, nobody talks about the "work ethic" in connection with them. When you talk about "the work ethic" in relation to welfare, it means simply: "Why aren't those lazy bums on AFDC forced to work?"

Although unemployed fathers are now eligible for AFDC under very stringent conditions, only a minute percentage of those on the AFDC rolls are able-bodied men. The overwhelming majority—indeed 90 percent or more—are mothers and children in poverty. What is most striking about all the discussion about welfare reform, "workfare," and the work ethic is that this fundamental fact is virtually completely ignored.

The prime purpose of AFDC as it was originally conceived was exactly what its name specifies: to provide assistance to dependent *children.* Our whole approach to welfare reform ought to be therefore: What is best for these millions of disadvantaged and underprivileged children? Those are fancy words to describe kids who are hungry and ill-clothed and living in rat-infested tenements surrounded by filth, despair, degradation and often disease. Instead, their plight is ignored and all the attention is placed on the alleged sins of the adults, frequently referred to as "he" as if these were predominantly two-parent families where both father and mother are refusing to take the good jobs that are offered to them. But whatever may or may not be the sins of their parents, the guiltless children share heavily in the punishment.

Even well-intentioned welfare reformers most often forget about these children. I was absolutely amazed that in his Wall Street speech on welfare reform during the election campaign, Senator McGovern referred to the children dependent on welfare exactly once. The rest of his welfare reform ideas all centered on the adults.

It is rare that anyone remembers the original purpose of AFDC but Senator Pastore of Rhode Island did, if only briefly, in the recent Senate debate on H.R. 1. Even Pastore seemed to give first priority to costs rather than the children's welfare but this is what he said:

> "Is it not going to be cheaper and better to keep that home intact by keeping the mother home with the children, rather than putting the children in a day-care center, which is going to be much more expensive, and have the mother go to work? That was the whole principle of aid to dependent children."[1]

If welfare reform were to focus first and foremost on the needs of the children, it would not begin with the work problem. Yet both conservative and liberal critics of the existing system have mainly concentrated on the relationship of welfare to work. They have paid scanty, if any, attention to whether their solutions benefit the hordes of children mired, through no fault of their own, in the welfare trap.

Everyone knows that conservatives have the all-consuming objectives of getting the needy off welfare into work. Senator Russell Long, Chairman of the Senate Finance Committee, coined the catchy word "workfare" for this approach, and it seems to have been picked up widely. It rests on the assumption that most welfare recipients over the age of 16 are employable but are unwilling to work and therefore should be forced into jobs. If they refuse, welfare payments for themselves and their families should be cut off.

There seeems to be some confusion as to whether the jobs already exist or would have to be created. The nature of these jobs is very unclear—Long talks about workfare enrollees picking up dead dogs on the highways. Clearly he and others mean to force lots of welfare mothers who are the sole parents in their families into cleaning the houses of more fortunate two-parent families. In Long's plan there would be both subsidies to private employers and new unspecified jobs in public employment. But there would be no labor standards or guarantees as to suitable employment of the kind we have in unemployment insurance. Wages in most cases would be far below the statutory minimum. This is by no means an untried approach and whenever it has been tried, it has failed.

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[1] *Congressional Record*, October 3, 1972, p. S 16695.

What is not often noted is that the liberals (and some conservatives like Milton Friedman) who have proposed the negative income tax as the welfare reform panacea are also mesmerized by the relationship between welfare and work.

Without going into the details which most people in this audience are familiar with, a major objective in a NIT program is for it always to be financially rewarding for a family member to shift from a non-work to a work status. This objective has to be reconciled with two other constraints that liberals nearly always accept. The first they share with the workfare proponents—that is, to hold down the overall cost of the program—although perhaps at a higher level than the conservatives would agree to. The second is to provide payments at a decent level for those who can't work. Surprisingly, faced with these three constraints—what I call the negative income tax dilemma—work incentive, cost and base payment paid to families where there is no wage-earner, it's the last that is most likely to be given the lowest priority in welfare reform proposals based on the NIT. So as in AFDC and in workfare, it is the poorest children who are once more the victims.

Now the reason why this happens in the NIT approach is that it is an all-embracing program intended to cover employables and unemployables alike. Indeed, the most enthusiastic (I almost said "doctrinaire") NIT advocates would substitute it for all existing income protection programs including social security, unemployment insurance and the income aspect of workmen's compensation as well as all forms of public assistance. Others don't go that far but nevertheless construct it so that it covers low income people, working and nonworking alike, and especially the transition from non-work to work.

It has to be said that nobody has come up with an acceptable solution to the NIT dilemma and I think it is highly unlikely that anyone will. As I have said, a fundamental principle of the NIT is that nobody should ever be better off if he is not working than if he is. It turns out, however, that because we have so many income or income-substitute programs (like food stamps, Medicaid and subsidized public housing), the so-called "notch" is always at least a theoretical possibility. The notch is simply an economist's term for the situation where the individual has a higher income not working than working.

The main reason why this is considered so important is that the NIT is a universal program covering both employables and unemployables which, depending on the base level and the negative tax rate, may cover a very substantial proportion of the population and cost a lot of money. This makes it exceedingly vulnerable to the charge that it is rewarding people to remain idle. Since it does cover both those who can and ought to work and those who either can't work or at least ought not to be made to work, it does result in a confusing picture difficult to sort out and easy for those with ulterior purposes to distort. And this is exactly what has happened because to varying degrees, both the AFDC program in its present form (though not originally) and most alternatives liberals have proposed are based on NIT principles.

The answer, it seems to me, is not to depend on welfare, even if "reformed," to solve employment problems, *i.e.* either to provide work or even to provide the incentive to work. Instead, we need an effective full employment policy, including a large-scale public service employment program, to provide suitable jobs at decent wages for everyone, not just welfare recipients. A commitment to this approach would reduce the number of those needing welfare assistance and tend to assure that those receiving welfare are among the least employable. In other words, it would tend to reduce the numbers and enhance the homogeneity of those forced to rely on welfare or whatever the residual income maintenance program is called. This would be all the more likely if in addition to assuring jobs to employables, minimum wages were raised to a level that would keep all workers (except possibly those with very large families) out of poverty, unemployment insurance payments were raised from their present sub-poverty levels and national health security were enacted. If all of these things were done most families, except those without employables, would not need income supplementation from welfare or its substitute.

This brings me back to my original point—that welfare should concern itself primarily with the needs of the children dependent on it and not on the work or non-work of their mothers. This will be possible if it is recognized that most mothers on welfare should not be expected or even encouraged—and certainly not be required—to work. This does not mean that there will not be, as there are now, mothers who will get off welfare by obtaining employment. And with a full employment commitment, a large-scale public service employment program and higher minimum wages there will undoubtedly be many more such mothers. I would hope that in these one-parent families, however, such mothers would not be encouraged to participate in training programs or to seek employment until there are meaningful and appropriate training and employment opportunities as well as sufficient child care facilities and services to assure that their children will be adequately cared for. Today the shortage of child care resources even for the children of mothers already working is appalling.

But there is no defensible morality or ethic which does not force the mother in a two-parent family to work but tells the mother who is the only parent of her children she must work or both she and her children will starve. It is all the more indefensible in that both because she is poor and because she is alone, the mother, where there is no father, has the heavier parental and household responsibilities. And if she is not forced to work but is expected to consider the physical and emotional needs of her children first, it won't make any difference if the welfare program does or does not include a perfect work incentive.

A work mandate applying to mothers with children is not ethical. Experience with it demonstrates that it is undesirable from other standpoints too.

Such a work mandate is based on the misconception that most welfare mothers don't want to work. What limited information we have does not bear this out. In fact, I would be tempted to argue that because welfare payments are so low, too many welfare mothers want to work for the good of their families.

A number of surveys which have been taken at various times have shown that the overwhelming majority of welfare mothers would be ready to take suitable jobs at decent pay if there were also a satisfactory way of having their children cared for. Leonard Goodwin's recent study, *Do the Poor Want to Work*?, has shown that the poor, including welfare recipients and their sons,

> "have a strong work ethic and do not need to be taught the importance of work. To encourage welfare mothers to enter the work force, it is necessary to present them with a chance to experience success in jobs that will support them. . . . (But) working in jobs that do not pay them enough to support their families is likely to reinforce just those psychological orientations that characterize the poor and discourage them from further work activity. . . . The ways in which the poor differ from the affluent can reasonably be attributed to their different experiences of success and failure in the world."[2]

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[2] Leonard Goodwin, *Do the Poor Want to Work?* (Washington: The Brookings Institution, 1972), pp. 113–118.

I ran into one illustration of this strong work motivation which I found particularly interesting. A few months ago the California Welfare Rights Organization joined with the National Organization for Women in a class action attacking alleged sex discrimination in the Work Incentive Program (WIN). WIN is the current work and training scheme in the welfare program which has had less than a shining success in placing registrants in training or trainees in jobs. Nevertheless, the petitioners charged that the California Department of Social Welfare was discouraging women from applying to WIN under regulations giving priority to unemployed men. They argued that female welfare recipients were denied critical job training. In view of the overwhelming proportion of women on welfare, they asked that 9 out of every 10 persons admitted to WIN be women.[3]

This is all the more astonishing in the light of the disastrous experience of WIN and similar non-Federal mandatory work programs such as those in New York, Massachusetts and other States. A recent Congressional staff study demonstrates what a failure WIN has been. Of about 2¼ million AFDC recipients "assessed" from July 1968 to the end of 1970, State welfare agencies found about 500,000 "appropriate for referral" to training or work. Actual referrals were just under 400,000 and enrollments were a bit more than half that number. Shifting to April 30, 1972, of nearly 400,000 training enrollments, in almost four years, somewhat more than 250,000 completed their training but only 61,500 had successful completions, that is, had been on the job three to six months after placement. The study commented that in view of "the documented reluctance of employers to hire AFDC recipients, it is remarkable that WIN's placement rate is as high as it is. It also stated:

> "Since there is evidence that WIN authorities creamed in selecting enrollees, the prospects for improved placement rates and for substantial reduction in welfare rolls by expanding a structurally unaltered program are not encouraging. . . Reducing the large number of WIN participants who drop out for legitimate reasons is going to require improved labor market conditions, longer periods of training to provide greater skills, and solutions to participants' health, transportation and family care problems, all of which may prove expensive."[4]

One Labor Department official cited in *Business Week* recently summed it all up: "I think it's fair to say that we've emphasized the preparation of people for work—as if the work were there."[5]

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[3] *Clearinghouse Review*, July 1972, pp. 179-180.

[4] *Studies in Public Welfare*, Paper No. 3—"The Effectiveness of Manpower Training Programs: A Review of Research on the Impact of the Poor," A Staff Study prepared for the use of the Subcommittee on Fiscal Policy of the Joint Economic Committee, U.S. Congress, November 20, 1972, pp. 50-56.

In the prevailing situation of continuing high unemployment, especially for the unskilled and the inexperienced, it is no wonder that WIN and similar mandatory work and training programs have failed so miserably. But in addition to all the other problems of welfare recipients, they now have to contend with two, often conflicting, bureaucracies—the welfare agency and the employment service. They are shunted back and forth from one to the other all too often losing their meager welfare check because they don't understand the regulations of one or the other agency, can't find transportation, are too sick or can't get anyone to take care of their children so that they can show up when and where they are required to be. And yet, if they can somehow get through the whole obstacle course, including finding permanent child care services, the overwhelming majority wind up either jobless again or working in substandard employment at the most meager wages with no fringe benefits and with almost no job security. Yet on those very low incomes, they become ineligible for most means-tested health, food and housing programs and must somehow pay for child care as well as all their other regular family expenses. Is there a legitimate "work ethic" which can compel mothers to offer themselves for training or work under such circumstances? Certainly these training and employment programs should be and can be improved but mothers ought not be forced to participate in them under pain of loss of all income for themselves and their families.

But if there were genuine training programs for decent paying suitable jobs and adequate child care services, I have no doubt that far more mothers in what are now welfare families would voluntarily participate in such programs. Perhaps the most important prerequisite to assure such jobs is a greatly expanded public service employment program.

In summary, any genuine welfare reform must, first and foremost, emphasize the children's welfare. It should rely primarily on non-welfare programs to develop and assure suitable jobs at decent wages supplemented by improved social insurance, health security and other programs aimed at eliminating poverty. With this multi-faceted approach, welfare, whatever it is called, could become a residual program providing a decent level of living to people who can't work at all or ought not to be required to work if they wish to devote themselves to their children's care. Under these circumstances, welfare would be far less costly and the "work ethic" would be irrelevant to welfare. The nation might even turn once again to helping instead of punishing the poor.

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[5] *Business Week*, December 9, 1972, p. 102.

May I add a brief postscript. The multi-faceted approach I have suggested is very different from the ideas which have been most popular in the academic community. These have tended to focus on some variant of the NIT as a single all-embracing solution to poverty. Qualified academicians have devoted much time and effort to developing simulated models, pilot tests and other research studies which have produced a data base for the policy they espouse.

Unfortunately, little work has been done to provide a research foundation for the multi-faceted approach I think is much more promising. If any of you think this approach is worth pursuing and that a solid foundation should be laid for it, I urge you to devote your talents and available resources to such a research effort.

Work Requirements and Work Incentives in Welfare Reform[*]

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This discussion of welfare reform is addressed to the work requirement. Both the desirability and the necessity for a work requirement connected with welfare reform are clear. This is a matter of simple equity for millions of taxpayers who do work. Of no little importance is the judgment that the basic reforms necessary to restore sanity to the public assistance system are just not allowable *without* a meaningful work requirement. This is the mood of the country today with regard to what the government should be doing with its tax dollars.

With this objective in mind one fundamental issue in welfare reform is to design a work requirement that is strong—and unyielding—where it is appropriate, and at the same time to provide assurance that it would *not* be applied in situations where it would neither be to the interest of their recipients, their families, nor the country.

Next to the question of the floor payment for a family of four ($2,400–3,000 or 6,000) and possibly ahead of this controversial aspect—stands the work test. It has inflamed the liberals as being punitive and angered the conservatives as being too bland—if not ineffective. Caught in the political cross-currents of the '72 campaign the "work ethic" has become a rallying cry for the middle class Americans.

The Senate Finance Committee in both the 91st and 92nd Congresses were skeptical of both work incentives and work tests and moved more and more toward punitive measures which involve severe penalties for the entire family. The Talmadge amendment uses extreme measures to compel cooperation and interferes with the free functioning of the labor market to do so.

In a climate of legislative inaction (despite "pilot projects") we can examine the work requirement in historical and labor market terms of reference relatively free of emotion and politics.

Evolving Work Roles of Women

A bit of history will shed light on why this task was so important, and why it is less simple than it first appears.

We are dealing here with the fundamental question of who it is that society expects to work, thereby participating fully in the economic system which makes life possible for all, and who it considers to be justifiably dependent on the working members of society for the economic needs. It is a fundamental question for any society, and it comes as no surprise that judgments differ.

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[*] The author is indebted to Mr. Paul Barton, Dept. of Labor, Washington, D.C., for invaluable assistance in the preparation of this material.

There is almost universal agreement that *men* should work, if they are not too young, not too old, and are not incapacitated.

The problem of lack of agreement on the work requirement provisions of the Family Assistance Act arises because *women* are involved. This is rooted in the fact that there is no general consensus in society about the appropriate work roles of women in all circumstances.

This would not have been as true at the turn of the century, when most women expected, and were expected, to remain in the home. Women, however, have ventured into the work place. In 1900 the female proportion of the workforce was still only 18%. Currently, 37% are in the labor force. Between 1960 and 1968 employment expanded by 10.1 million. Six million of that expansion, 60%, was accounted for by women.

This movement into the labor force, in its early days, was part of the general victory for the liberators of women, won by the militants of another age. But to show how slow the Nation was to go the whole way in recognizing the change, it was not until 1964 that Federal law guaranteed women "equal pay for equal work," and not until civil rights in employment came to blacks did women receive the means of legal redress for discrimination in employment.

Women were very much in the work place at the time the Federal welfare laws were written in the mid 1930's. Why then were women not required to work by those welfare laws?. Are we becoming less humane and more vindictive?

The answer is clearly no. Because the original welfare population was different, the problem was not faced on the welfare side, although it was in unemployment insurance, and this latter fact has considerable significance. Welfare was to be for those *not* expected to support themselves, the old, the disabled, the blind, and mothers who were widows, or whose husbands were incapacitated. Even by 1940 there were only 253 thousand such families on AFDC. Men of working age were just not covered. Welfare was for the aged, the ill, the children; there was no significant question of whether recipients would be expected to work.

But, even at that time, if a group of citizens who *were* a part of the labor force were to be assisted then they were going to have to accept jobs if they were available. *Such was the case from the very beginning with unemployment insurance.*

Under the new unemployment insurance law, contained in the Social Security Act, the States, in effect, were forced to pass laws protecting workers against income loss for a temporary period of unemployment. From the very beginning, the covered workforce was insured for only so long as they were "able and available" for work. Each week a claimant has to appear in person to establish his labor market attachment in order to continue to receive benefits.

This requirement applies to women regardless of their marital status, and of the presence and age of children. Unemployment insurance does not require that they work. It establishes *willingness to work* as a condition of receiving benefits. The terms under which the acceptance of a job is required is very important in our discussion of the Family Assistance work requirement, and I will return to it later.

The point to be made here is that a "work requirement" is long accepted practice in unemployment insurance, even though as a system of social insurance "premiums" have been paid and rights to benefits are involved.

The extent to which women with children are drawing unemployment insurance and thus subject to the work requirement can be seen from the statistics kept by the nine States that pay extra allowances for dependents under their unemployment insurance laws. During the first six months of 1968, 90% of the 24,000 female beneficiaries in these States had dependent children.

While the proportion varies from month to month about 40% of persons receiving benefits are now women.

The Win Work Requirement: Need for Change

At a never slackening pace, AFDC was fast becoming a program for mothers divorced, separated, or simply deserted by their husbands. Their numbers were increasing at what to many was an alarming pace.

Amid the widespread dissatisfaction with spiraling AFDC costs, Congress attempted to stop welfare growth in 1967. Among other things, these amendments established a new training program for AFDC recipients, called the Work Incentive Program (WIN). The legislation included a work requirement.

The new Administration started, then, with several "givens" which had become part of America's social and economic history: a welfare caseload burgeoning with mothers without husbands, a growing propensity of women to work, an unemployment insurance system with a work requirement developed over time and tested by experience, and a work requirement in AFDC that was breaking new ground but with major, though correctable flaws.

The drafters of the bill came to the firm conclusion that the existing law governing which welfare recipients were to be referred to the Secretary of Labor for training and employment was inadequate. The law required the State welfare agency to refer "each *appropriate* child and relative who has attained age sixteen and is receiving aid to families with dependent children."

The effect of this language was to leave it entirely in the hands of the individual State agency to decide who must work or take training, with the exception of specific exemptions in the Federal law.

Of those AFDC recipients screened by the welfare agency in Utah, 97 percent were referred to the Employment Service. At the other extreme, only 7 percent of recipients screened in New York State were so referred.

There were two undesirable consequences of this variation. On the one hand, States with welfare agencies tending to be "protective" of their clients went to extremes in refusing to refer welfare clients for training, and thus thwarted the goals of the 1967 amendments.

On the other hand, some States may have been over-zealous in interpreting who was "appropriate" for referral to jobs and training. A system that was created and funded by a Federal government that could not, and should not, escape the responsibility for the like treatment of citizens in like circumstances, regardless of where they reside.

Development of the F.A.P. Work Requirement

If the law was to be more specific about who was subject to the work requirement, which groups should it be applied to, and which groups should be exempt?

Able-bodied men—there was no question about a work test. When unemployed fathers were first covered into AFDC, on a State-option basis in 1961, they were required to register with the public Employment Serivce.

Mothers—without husbands—who have children under six: There is certainly no consensus in the United States about whether it is "good" for the children, or the society, for these mothers to work, with the responsibility for the care of the children transferred to a grandmother, a babysitter, or a child care institution. Much is known about the importance of the first five years of life from the standpoint of the life chances of the child. But little is known of a scientific nature about how those life chances are modified by different kinds of child care arrangements during those early years, and by degree of exposure to the mother.

But whatever the state of knowledge, there is no matter on which stronger views are held. Take a mother away from her babies? Inhumane some say. Leave the young children in a poverty environment which is stunting their growth? A foolish decision, others say, when quality child care centers could be the best means of catapulting them out of the poverty cycle. And still others look upon these mothers as having the best chances for succeeding in training and employment because of their youth and relatively better educations.

The conclusion of the Administration was to leave the choice of employment and training of mothers with pre-school children entirely to the mothers. The training will be made available, and child care will be provided to the mothers. Based on experience with the present Work Incentive Program, we can expect large numbers of them to volunteer.

Mothers in families with an adult male subject to the work requirement: Here, the decision was fairly easy. We should expect the father to work, but there was no reason to require *both* parents to go to work when there were children to care for. The advantage of an intact family is that the economic needs of the family can be met by the husband, and the care of children can be provided by the mother. The whole family has been a successful institution throughout the world. No reason for the Family Assistance Act to try to improve on it. The mothers in these families were thus exempted from work registration.

Women who head families with only school age children: Here a consistent pattern emerges in labor force behavior that permits a judgment to be made about whether such women should be included in the work requirement. Further, the situation of the children is quite different in that they spend most of their day in school, and a fairly short period of time exists between leaving school in the afternoon, and the typical quitting time at work.

Women who have school age children and do not have husbands present have the highest labor force participation rate of any group of women.

In fact, almost seven out of ten female heads of family with school age children were in the labor force. If statistics were available that permitted us to subtract out those not working because of illness or physical incapacity, the labor force participation rate would be even higher.

In families where husbands *were not present*, the participation rate for mothers with school age children was almost as high in 1950 as it is now. The practice of working has been long established among this

Percentage of Women in the Labor Force by Presence and Age of Children, March 1971[1]

Presence and age of children	Married, husband present	Other marital status[2]
Mothers with children		
Under 18 years	39.7%	59.9%
6 to 17 years only	49.4%	67.6%
Under 6 years[3]	29.6%	47.8%
3 to 5, none under 3 years[3]	36.1%	56.4%
Under 3 years[3]	25.7%	40.8%
Women without children under 18 years	42.1%	32.2%

[1] Ever-married women, 16 years of age and over

[2] Includes widowed, divorced, and married, husband absent

[3] May also have older children

Source: U.S. Department of Labor, Bureau of Labor Statistics. Unpublished data.

Labor Force Participation Rates of Mothers

	Husband present			Other marital		
	1950	1968	Mar. 1971	1950	1968	Mar. 1971
With children 6 to 17 years only	28.3%	46.9%	49.4%	63.6%	[illegible]7.8%	67.6%
With children under 6 years	11.9%	27.6%	29.6%	41.4%	47.6%	47.8%

group of mothers, and the requirement for registration for work or training only recognized existing practice.

A July 1972 BLS release shows that nearly 6 million women workers who were widowed, divorced or separated from their husbands—particularly the women who were raising children—were working for compelling economic reasons. In addition, the 4.2 million married women workers whose husbands earned less than $5,000 in 1970 certainly worked because of economic need. Finally about 3.2 million women would be added if we take into account those women whose husbands had incomes between $5,000 and $7,000—most of these husbands had incomes below the $6,960 established by BLS for a low standard of living for an urban family of four.

This totals 13.4 million women at work in response to severe economic pressures. Why should they work and have a *law* which exempts women in similar circumstances on welfare?

This is the group that will be watching what the Nation does to balance rights and responsibilities in reforming the welfare system. They will view it as a matter of basic equity, and expect these mothers to accept employment when it is available.

In the light of this discussion what is the impact of registration on the adult welfare population:

The Family Assistance Work Population

	(millions of persons)
Adults in Family Assistance Families	9.0
Not required to register:	
Wives of family heads	–3.1
Female family heads with children under 6	– .9
Family heads who are ill, aged, or disabled	–1.2
Family heads already working full time	–1.8
Other adults (19–21 year old students, aged or incapacitated, or needed in home to care for ill family member)	– .9
Total Required to Register	1.1

Relationship to Work Incentives

While there is a *work requirement,* there are also work incentives. Its relationship to the work requirement may not have been given much thought. Under Family Assistance, a person who goes to work can keep the first $60 of earnings each month with *no* reduction in assistance payments. Our studies of the "cost of work" introduced this concept. According to BLS estimates, a person must spend $15 a week just to go to work. So a person is losing money until he earns his first $60, and work incentives would be harmed.

After the first $60 of monthly earnings a person can keep 50¢ of each additional dollar earned. Thus, it makes good economic sense to go to work, for as the economist puts it, there is no longer a "100 percent" tax on earnings.*

Like the rest of American consumers, the poor have wants that can only be met by money, and they will work to get that money as other Americans. In fact, we have seen no evidence to suggest that the poor, or the welfare recipient, differ at all from other citizens in attitudes toward work.

The financial incentive is not the only inducement to work under Family Assistance. The provision of *child care* facilities makes work or training possible to mothers who have previously been *denied* the opportunity to become self supporting.

The availability of child care arrangements for the poor is critical. Many women now on welfare do not work simply for this reason. While a start has been made, public child care facilities are not availabe to the vast majority of such women. Women with much higher earning potential can pay for private care, but this is impossible on the kind of wages paid an untrained welfare mother.

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* This is an over-simplification since the tax rate will be higher where a State supplement exists, and there are other taxes that have an impact on work incentives. The situation, by whatever reckoning, will have been greatly improved however, building from the 1967 amendments, over the work incentive situation in the long history of AFDC.

Many do go to work. And on their low wages it is frequently the case that totally inadequate arrangements are made for someone to "watch" the children. The quality of the child care is as important a consideration as the quantity. Quality child care is expensive, but it should be borne in mind that it represents an investment in two generations.

It frees the present generation of mothers to work or take training. In itself, quality child care can be an *incentive to work*, as mothers recognize the advantage it brings to their children. For the next generation, attention to child development now holds promise of breaking the poverty cycle.

Another strong inducement is the availability of the opportunity to *train for a good job*. In some cases the failure to work is likely due to the very limited opportunity to work among people with so little past work experience, and limited education. Efforts are made in our training programs to prepare people for jobs with adequate pay, always recognizing, of course, that we can only train for the jobs which exist.

The early returns from the WIN program are encouraging from this standpoint. In six states surveyed the earnings of WIN graduates averaged $2.27 per hour, ranging from $2.08 in Pennsylvania to $2.41 in Illinois.

Conclusions

With such strong incentives to work built into the Family Assistance Act, and with past experience demonstrating the great desire to take training and enter employment, it is not likely that compulsion will be necessary in very many instances. Some have argued from this same set of facts and conclusions that the work requirement is therefore unnecessary, in view of the likelihood that most will work without it. The point is that the work requirement exists only for those who need to be prodded.

The work requirement is there to assure that the few who might not choose to work are dealt with in a manner that forces them to meet their responsibilities to their families and the American taxpayer.

At the same time that the work requirement demands that the individual meet his responsibility for his own economic needs to the extent that he can, it protects him from unreasonable demands. Present law requires a person to accept employment in which he is "able to engage."

The Family Assistance Act adds the requirement that the employment also be *"suitable."* "Suitability" of employment has come to have a very precise meaning in the unemployment insurance, it will have to be applied on a case by case basis. As in the case of UI, it precise meaning in any given situation will evolve over time.

We would not contend that the answer to the question of "why have a work requirement" is a simple one. If it were simple, it would not have taken so many words to explain. Once the welfare system is transformed into a broader income maintenance program which includes those who normally meet their economic needs through employment, as well as well as those who do not—as was originally the case when the welfare program was first legislated—the question of a work requirement had to be faced.

If those who oppose any work requirement in such an income maintenance system think they are protecting the poor, they are dead wrong. As a former political executive having responsibilities in the Nixon Administration, I say—with the strongest possible conviction—that we cannot achieve the broad structural reform, represented by the Family Assistance Act, without it. The American people will not accept such a program without assurance that others will be expected to work when they can, just as they do for most of the days of their adult lives.

The Work Ethic and Welfare Reform: A Canadian Point of View

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There is a *tide* in the affairs of a concept, as there is in the affairs of man, and it is suggested that the concept of the "work ethic" has run its course. There is a *time* in the affairs of a concept and it is suggested that in the case of the concept, "the work ethic", time expired with the initiation of the war on poverty in the early 1960s and the increasing focus upon the prospect of a guaranteed annual income by 1965.

When a set of ideas becomes crystallized in the form of a concept that is brought forward to explain away a multitude of sins, that concept is on the way to the dustbin. During the past decade the work ethic has appeared as an explanation of why some of our institutions have become inadequate or allegedly are becoming inadequate; why individuals and groups behave antagonistically towards individual freedom and human rights; and, above all, to explain away such widespread phenomena as crime in the streets, deterioration of the urban environment, and pollution.

Our educational system, it has been alleged, is increasingly inadequate because in some mysterious fashion it was designed to feed the ravenous jaws of an industrial society with reasonably intelligent and reasonably well-trained job seekers. It is about time that we flatly rejected this feeble excuse for the watering down of an educational system which, for the most part, has proved to be too demanding for many young people whose propensity for effort is questionable.

Our religious institutions are charged with inadequacy or allegedly are inadequate, because they espouse the virtues of work, thrift, foresight, planning for the future, and the satisfactions that may be derived from productive effort. This charge is merely a modern version of the Marxist notion that "religion is the opiate of the people."

More dangerous and more serious in their implications are the many attempts to excuse the behavior of individuals, groups and communities, particularly in Western urban industrial societies—behaviour that twenty or thirty years ago would have been quickly termed anti-social, deviant, and even criminal. What the relationship between the so-called "work ethic" and "crime in the streets" may be is very difficult to determine, but persons within the social sciences, government, and the media have argued that a society which praises the value of work and yet provides less or marginal economic and tangible rewards to those who prefer not to work can only expect turbulence.

This is not to deny that many unemployed persons in North America are truly incapable of work because of age, physical or emotional handicap including chronic illness or disability; but such factors as discrimination based on race, colour or creed have played a substantial role in preventing countless individuals from finding suitable or appropriate employment.

Nevertheless, the major problems of the last third of the twentieth century have been laid at the foot of the "work ethic." It is argued (and it is very difficult to deny some of the illogical logic in this argument) that many people have come to the cities because their lives in rural areas or small towns lacked interest, variety, and economic and social opportunity. Unfortunately, they have found in the larger urban centres no paradise and no better answer to their individual aspirations; and because they lacked the basic attributes for social and economic development in a metropolitan society, or because urbanization is in itself a dehumanizing process, they may react in extraordinary ways.

As far as personal behaviour is concerned their range of life styles can be from skid row to modern versions of gangsterism. Their poverty forces them to reside in inadequate housing accommodation and thus within the most inadequate neighbourhoods in terms of open space, sunshine, availability of clean air, and a variety of opportunities which we consider amenities. Their neighbourhoods are classed as blighted areas or slums, and the failure once again to attain society's expectations with respect to personal employment has led to social and physical disaster.

It was not long ago that most anti-social behaviour was blamed upon parental neglect or the absence of adequate mothering in the first few months of life. Such excuses for anti-social behaviour were at first distasteful and then unacceptable. To excuse all manner of human failure, aberration and even paranoia on the "work ethic" has proved to be much more satisfying to many people.

The Basic Definition

The "work ethic," as espoused by Max Weber, simply means that the notion of work for large groups of the world's population was more than an activity engaged in for the purpose of earning "one's daily bread." Work was considered to be a virtue in itself, a desirable phenomenon that provided for its adherents both economic sustenance and, ultimately, some credit towards spiritual salvation. Idleness was a vice, and, when absence from work was dictated by physical or emotional disability, it should be punishable.

The work ethic, however, should not have been described by Weber as a Protestant phenomenon, for it may be found in many theologies. In Judaism, Islam, Roman Catholicism and other religions the same characteristics can be found far beyond the realm of Protestantism. The fact is that the first permanent white settlers in the United States were Protestants and their entire Puritanic faith was based on economics and religion. These twin attributes were absolutely essential to their survival. Yet the first explorers in the Caribbean and those who reached Newfoundland and the Gulf of the St. Lawrence were, in fact, Roman Catholics but they did not remain as settlers. It can thus be argued that, even on the grounds of faulty definition of an ascription of origin, the phrase "the Protestant Work Ethic" or "the Puritan Work Ethic" should be discarded.

The Canadian Welfare System

Within its written constitution (The British North America Act 1867, as amended) and in the judicial interpretation of this legislation, the constitutional responsibility for social welfare in Canada is clearly with the governments of the provinces. The main factors affecting the exercise of such responsibility have for a long time been very much like those in the United States. The more lucrative sources of revenue of the federal government are relatively elastic, while those of other governments (provincial and municipal) are relatively inelastic.

Within a period of two world wars the federal government acquired sources of taxation that were constitutionally within the purview of the provincial governments. These were temporary acquisitions based upon the urgent national requirements for survival but, as in many countries, temporary transfers of responsibilities, power and sources of taxation tend to become more or less permanent. In Canada a great deal of energy and effort has been required during the past thirty years in the preparation of agreements between the federal government and the provincial governments on the question of the powers of direct taxation. Agreements of at least five years' duration have been concluded on several occasions but it is obvious that the government of Canada will never turn back the powers of direct taxation to the provinces.

The relevance of these observations to the whole question of social welfare must be obvious. In the first place, by virtue of the national emergency during the 1930's the government of Canada finally entered the field of income security with the passage of the Unemployment

Insurance Act 1940, which required the consent and co-operation of all 9 provinces then existing. Within the next two decades the federal government went on to enact legislation consistent with each of the three major approaches to income maintenance in a modern social welfare system. By 1965 the federal government had two major programmes of universal allowances which required simple transfers or redistribution of income from the general treasury; two major programmes of social insurance covering unemployment and old age security; several shared-cost programmes in the field of public assistance in which the two senior levels of government each paid 50% of the cost; and, finally, shared-cost programmes in hospital insurance, medicare, vocational and technical training, and in a number of other fields.

Expenditures on social welfare in Canada are now estimated at about $12 billion per annum or approximately 11% of the gross national product; this proportion is approximately twice what it was at the beginning of the 1960s. The federal budget itself has also about doubled and a very large proportion of its expansion in the past dozen years may be located in the broad field of social responsibility.

There has been much criticism in Canada with respect to the social welfare system. It has been viewed as a patchwork quilt in which the several levels of government, uniquely or in co-operation, have either added programmes in response to public pressures or where there appeared to be gaps in the provisions. Nevertheless, Canada has developed a social welfare system in which there seems to be a considerable degree of logic. The universal transfer system, for example, is clearly within the constitutional prerogatives of the federal government and makes sense in view of that government's power in the fields of taxation and fiscal policy. This approach to income security—income requirements of retired persons and in a programme such as Family Allowances—is uniquely suited to mass need.

The field of social insurance is also far better suited to federal rather than provincial control and administration, because it involves a substantial proportion of the total population. Almost 100% of the Canadian population is covered by hospital insurance and medicare, both in co-operation with the provincial governments. In unemployment insurance and the provision of an additional layer of income security for the elderly the federal administration is far better suited if only by virtue of the basic requirement for portability across the nation.

In the field of public assistance, where the administrative responsibilities should be localized, the provinces have exercised their constitutional responsibilities as far as possible. Nevertheless, they are very short of financial resources and the Canada Assistance Plan of 1966 was designed to provide them with 50% of the required funds to maintain more adequate programmes without regard to patterns of categorization. Provincial-municipal co-operation in the actual administration of public assistance programs is clearly a further logical necessity.

There are, therefore, many students of the subject who believe that we have in fact created a logical social welfare system that is not merely a patch-work quilt. However, a great many Canadians are agreed that a great deal of improvement could be made: administration could be improved, elegibility requirements and benefits could be updated, and social planning is indeed conspicuous by its absence.

New Programmes and the Work Ethic 1969-1972

During the past three years a new disquiet has emerged and there is a considerable amount of soul-searching that is closely related to the concept of the "work ethic." The typical rate of unemployment in Canada which, on a seasonally adjusted basis, had averaged between 3.5% and 4% during the years 1965–68, passed the 5% mark in 1969; during 1970–72 it showed between 6% and 7%. The annual increase in the Consumer Price Index in Canada, which ran between 2.5% and 3.5% in the mid-1960s, exceeded 4% in 1970; it has now exceeded 5%.

The coincidence of the twin phenomena of high levels of unemployment and high levels of inflation has brought the government of Canada to its knees and has created what amounts to a "welfare race" (akin to the notion of "an arms race"). This race took the strange form of a contest between several ministries of the federal government to outdo each other on behalf of certain hard-pressed groups. Inevitably the rise in unemployment and the rise in price indices forced all three levels of government to make significant upward adjustments in the level of benefits.

Canadian attitudes towards the work ethic in the early 1970s are in part the product of major demographic changes which appeared about 1944. The birthrate began to rise towards the end of World War II and within the next 15 years Canada had one of the highest birthrates in the world. In addition, immigration since 1946 has meant a direct addition to the population of more than 4 million persons. Consequently, our population has more than doubled since 1941 and the increase since 1951 is of the order of 60%.

Thus, Canada has one of the fastest growing labour forces in the entire Western industrial world. The increase during the past three years was about 10% of the average total labour force in 1968, and about one-half of the new entrants to the labour force are women. The unemployment rate among persons over the age of 25 is relatively low, with the average rate in 1972 running at 5.1% for men and 3.6% for women. The serious problem is in the 15–24 year age group, and those who lose their employment after they reach the age of 45–50. In the younger group the rate is 10–15%, although it reaches 25% in some regions.

In the light of these facts the federal government undertook in 1970 and 1971 to legislate a new Unemployment Insurance Act in which the benefits and the requirements for benefit were the most generous ever recorded in this country. Prior to 1970 an unemployed Canadian was required to work 26 weeks in insured employment and could draw benefits for that period (or for a somewhat longer period in areas of serious unemployment) to a maximum of $53 per week for a married person with dependents. Under the new legislation the same individual need only work 8 weeks to draw benefits for 20 weeks (in areas of serious unemployment, for almost an entire year) at a maximum rate of $100 per week for a married person with dependents.

The flow of information and reactions during the past two years have been incredible. On the one hand, there are many employers who claim that jobs are available, that there are few persons seeking employment, and that the problem lies in the unemployment insurance programme or "the welfare system". On the other hand, there is much evidence that a good deal of unemployment does exist in certain regions, and certainly among young people without qualifications appropriate for a technological society.

The work ethic has come into focus sharply with respect to the new unemployment insurance provisions, because any assertion that persons are likely to be better off not working creates enormous antagonism among employers and employees alike. There are many who are employed who may not earn as much as they would derive from unemployment insurance, or even welfare assistance. Nevertheless, they continue to work but resent the possibility that, by virtue of their efforts and their tax payments, some persons need not work.

So long as the social insurance programme was self-supporting the argument was weak. But in the course of 1972 the fund was $900 million short of its required payout. The money can only come from the taxpayers, who, for the most part, earn in total family income $10,000 per annum or less. The latest statistics (for 1970) reveal, however, that such taxpayers pay more than half the personal income taxes as well as a regressive share of federal sales tax.

Similarly, in the case of a variety of schemes the increases in benefits have caused a fair amount of recrimination. The amounts set under minimum wage laws within the various provinces would, on a 40 or 48 hour week basis, provide less income to families with substantial numbers of dependent children than would available welfare allowances. Many persons who prefer to remain employed and earn about $75–$90 per week are deeply resentful of welfare allowances which equal or exceed their own earnings. It is true that the majority of recipients of welfare assistance are persons who are unable to work because of age or infirmity, but this fact is forgotten in the arguments.

A Canadian Point of View

Social workers and social scientists have played a large part in creating the antagonism now dividing the Canadian population. In all goodwill many profesionals considered that $400–$600 per month (depending on family size) was the minimum required to support urban families in receipt of various allowances. They felt that they had the moral obligation to insist that governments provide modest but adequate standards of living for such persons, even though such payments exceeded minimum wage requirements and average weekly earnings for large segments of the work force.

There is a variety of opinion on the subject which extends from the far "left" to the far "right". Another way of indicating this divergence would be to suggest that there is a substantial group which conceives flexibility and elasticity as the main attributes of a welfare sytem but interprets this concept to mean that programmes should be developed for individuals and groups without reference to their employability.

At the other end of the continuum there is another substantial group who would tighten the regulations governing all approaches to social welfare, specifically in the field of income security. They have argued for selectivity versus universality and clearly have dominated the approach of the Minister of National Health and Welfare in his White Paper on Income Security (December 1970). This argument has introduced some constraints into the Old Age Security programme, where the increase even at a nominal 2% per annum prior to 1970 was stopped completely at $80 per month for those over age 65; the Government reversed itself in 1972 and added approximately 3% as a cost-of-living adjustment. The emphasis was turned in the direction of an increased guaranteed income supplement, obtainable only after a thorough means test.

In the field of Family Allowances the same principles were put forward. Family Allowances were to be restricted to those below an annual income of $10,000. This legislation, introduced early in 1971, created strong opposition and was seen to be somewhat unjust to large families whose total income was slightly above the cut-off point. The draft bill was sent back and in 1972 a more flexible piece of legislation was introduced, but it failed to pass the House before it was prorogued for the federal election on October 30, 1972. Its failure to gain headway, however, had more to do with the attitude of Quebec and other provinces towards provincial rights in the implementation of social policies than it did with weaknesses in the revised bill itself. The principle of selectivity versus universality, however, is a conservative and retrogressive step unless it is accompanied by a major consideration of a guaranteed income for all Canadians.

There can be no question that the basic concept of income from employment by comparison with income from the social welfare system is an extremely important consideration at this time. Many persons who have liberal and flexible points of view on the subject are deeply troubled that a good many Canadians receive less income for full-time work than they would on welfare assistance. The major consideration is the size of the family: the individual or small family in receipt of welfare does not receive as much income as a fully employed individual at even the minimum wage. At the same time there is consternation that generous benefits under the new Unemployment Insurance Act provide far more income to many recipients. The situation is so ridiculous that for a total payment in premiums of less than $30 it is possible for an individual who has earned $150 per week for eight weeks to receive benefits totalling $2,000, and in certain regions of high unemployment such a person might receive as much as $5,000. The real concern is decidedly the difference between income from working versus income derived from non-working. It is not a question of religious salvation versus personal damnation, but a simple measurement of natural justice or injustice within an urban industrial society.

Canada appears in recent years to be a leader in the formulation of new and innovative programmes which have made available approximately $70–$90 per week in grants to individuals who determine their own form of employment within the applicant organization. It was felt that the high unemployment rates among those under 25 years of age justified extraordinary means to gain the interest and enthusiasm of young people.

These new programmes, known as "Opportunities for Youth" and "Local Initiatives" during 1971–72, are the very essence of the argument. The government has not stated that the programmes are, in

Approach To Income Security	RESPONSIBLE LEVEL OF GOVERNMENT	
	Federal	*Federal—Provincial*
Universal Transfer	i Family Allowances 1/7/45 (Family Allowances Act, 1944) In Process of Revision 1971–72	
	ii Youth Allowances 1/9/64 (Youth Allowances Act, 1964)	
	iii Old Age Security Allowances 1/1/52 (Old Age Security Act, 1951) Fixed at *$80 p.m.* 1/1/71	
	iv Guaranteed Income Supplement for elderly Set at $55 p.m. for single person—$135 maximum 1/1/71 $95 p.m. for married couple—$255 maximum.	
Social Insurance	i Unemployment Insurance 1/1/41 (Unemployment Insurance Act, 1940) Employers & Employees pay dues which are Wage-Related, Gov't pays administration costs & deficits, benefits are Wage-Related.	iii Hospitalization & Medicare (a) Hospital Insurance 1959 (Hospital Insurance Act, 1958) Cost-sharing on 50-50 basis preceded by plans in B. C. & Saskatchewan (b) Medical Services 1969 (Medical Services Act, 1968) Federal offer to share costs contingent on various Criteria, Accepted Ontario 1970 (c) Medicare—Term used to describe Prov'l combination of above services
	ii Canada Pension Plan 1/1/66 (An Act to establish a Comprehensive Program of Old Age Pensions, 1965) Contributions on first $5,000 less $600 At 1.8%—$79.20 p.a. maximum & 2% p.a. c-of-l adjustment	
Public Assistance	i Veterans' Programs (Various Pieces of Legislation) A relatively comprehensive system of benefits is encompassed in several pieces of legislation. In addition to allowances in respect of wartime disabilities *War Veterans' Allowances* are a form of categorical assistance. Medical care, widows' and orphan's benefits are available	ii Unemployment Assistance 1/1/1959 (Unemployment Assistance Act, 1958) Up to 50% Federal Contribution to General Welfare Assistance
		iii Old Age Assistance 1/1/52 (Old Age Assistance Act, 1951) Allowances to the Blind (Blind Persons Act, 1951) Persons' Allowance (Disabled Persons Allowances Act, 1954) Shared cost programs on 50-50 basis, which disappeared technically in 1967.

Approach To Income Security	RESPONSIBLE LEVEL OF GOVERNMENT	
	Federal—Provincial—Municipal	*Provincial*
Universal Transfer		
Social Insurance		iv Workmen's Compensation (Ontario, 1914) Employers Bear Total Costs based on safety record of own industry and firm. Injured employees may receive income maintenance related to wages, medical care, rehab. services, widow's benefits, tuition fees for surviving children etc.
Public Assistance	iv Canada Assistance Plan, 1967 (Canada Assistance Act, 1966) Categorical and shared-cost programmes of 1950's and 1960's replaced by integrated assistance plan whereby Federal Government pays 50% of benefits to needy under general welfare assistance, mother's allowance (now family benefits) etc. Plus certain administrative and research expenditures and specific capital installations.	v Mothers' Allowances (Manitoba, 1916) All Provinces developed programmes after World War I to assist sole-support mothers with dependent children. D.N.H.&W. has issued several reviews of such legislated allowances increased very slowly in many provinces until advent of Canada Assistance Plan 1967. Ontario changed Legislation through Family Benefits Act and claims 50% from Federal Government.
	Provincial—Municipal	*Municipal*
Universal Transfer		
Social Insurance		
Public Assistance	vi General Welfare Assistance (Ontario) General Welfare Assistance Act, 1958 Unemployment Relief Act, 1935 Costs shared 50% Federal, 30% Provincial, 20% Municipal. The basic assistance programme for the indigent, originally limited to the unemployables (Medically Proven), opened in late '50's in Ontario to employables.	vii Special Programmes Local Governments sometimes provide extras not paid for in Inter-Governmental programmes e.g. Special diets, dentures, after-care following serious illnesses, nursing home care etc.

fact, a form of guaranteed income for certain young persons but that is precisely what they are. The major emerging problems seems to be that they arouse an expectation that funds will be permanently forthcoming. When the funds ran out and were not renewed, as has happened on many occasions, the disappointed members were understandably bitter. They felt that they had the key to both the aboliton of the work ethic and to the notion of welfare reform. Unfortunately for them a great many Canadians do not agree that the government was moving in the right direction. Some who voted against the government on October 30th were undoubtedly voicing their disapproval of such approaches to employment, to the reform of the welfare system, and to the management of the economy.

This, then, is where Canada is today—unclear about the direction of the reform of the welfare system, confused about the government's vacillation between approval and disapproval of a guaranteed income programme for all Canadians, and even more confused because of their recognition that the government has instituted two questionable forms of guaranteed income programmes. It must be concluded, therefore, that the heart of the age-old concept of the "work ethic" remains intact, but it has moved into a new form guiding many Canadians towards a fundamental re-appraisal of both economic management and welfare reform.

The Work Ethic and Welfare Reform

Edward Simpkins
Wayne State University

When John Smith was faced with the problem of declining morale among members of the Jamestown settlement because some of the settlers were refusing to work, he declared that the colony would abide by the rule "No work, no food." History has it that he made his rule stick. But when John Smith returned to England, tremendous starvation hit the colony resulting in the deaths of half its members during the winter of 1609-10. At a critical moment the survivors at Jamestown decided to abandon the colony. Their plans were near completion when several ships sailed into the James River with an abundance of supplies and more recruits. It was this timely assistance as well as Smith's stern adherence to the work ethic which kept the Jamestown settlement alive.

No one can challenge the basic tenet of the Protestant work ethic which is that people need some form of work which gives them recognition and compensation for the effort which they expend. This is true whether the setting is a seventeenth century colony or a twentieth century urban metropolis. Although the complexity of the metropolis presents dilemmas of scale and substance beyond those which John Smith's 120 member settlement faced, the basic issue for the very poor is still the question of whether their poverty will be fatal in some way. For in the metropolis one finds willing workers but no jobs more frequently than one finds non-willing workers amid an abundance of jobs. One finds jobs that willing workers are not allowed to perform because they lack certification or union cards or sometimes cannot perform because they lack training and skills. And one finds starvation among rural inhabitants who believe very strongly in the work ethic and who work but fail to manage to provide more than a subsistence income for their families.

Yet, to most people in this country the 12 per cent of the population that is poor is either invisible or when visible, grossly misunderstood.

Aid to families with Dependent Children (AFDC) costing almost two times as much as other welfare programs combined, has become synonymous, in the minds of some, with public welfare.• Although expenditures go for Aid to the Blind (1 billion), Old Age Assistance (1.8 billion), Aid to the Permanently and Totally Disabled (1.2 billion) and General Assistance Programs (.8 billion), the belief endures that if AFDC mothers were required to get jobs, the cost of public welfare could eventually be eliminated.

Those who argue in this vein point out that many mothers who are not recipients of AFDC do work. They point out that half of all mothers living with their husbands were able to work in 1970. Forty-four per cent of them had children under six years of age, and fifty-eight per cent of them had children in the 6–17 year old bracket. But they found employment while only 15 per cent of the mothers receiving AFDC were employed during that year.

This raises the question of whether AFDC mothers believe in the work ethic. It would seem that they do. Staffers of the Work Incentive Program (WIN), have found that commitment to the work ethic is as strong among the poor as it is among the affluent. The staffers themselves, on the other hand, had tended to perceive the female WIN trainees who were AFDC mothers as having a low self-identification with work, perceptions which proved to be in sharp contrast with the findings. In another instance Leonard Goodwin of the Brookings Institution conducted surveys which revealed that AFDC recipients are as firm believers in the work ethic as are regular workers.

It is not really surprising, after all, that the poor are unemployed. The chief factor which accounts for poverty is unemployment and to

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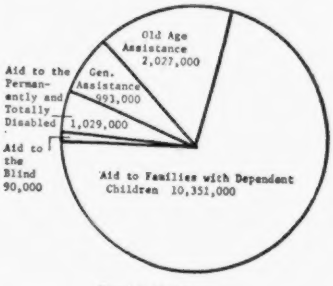
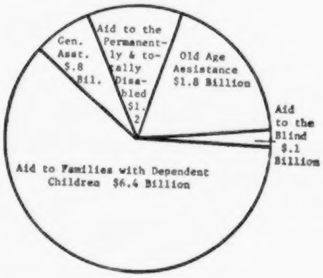
Recipients



Total = 14,480,000

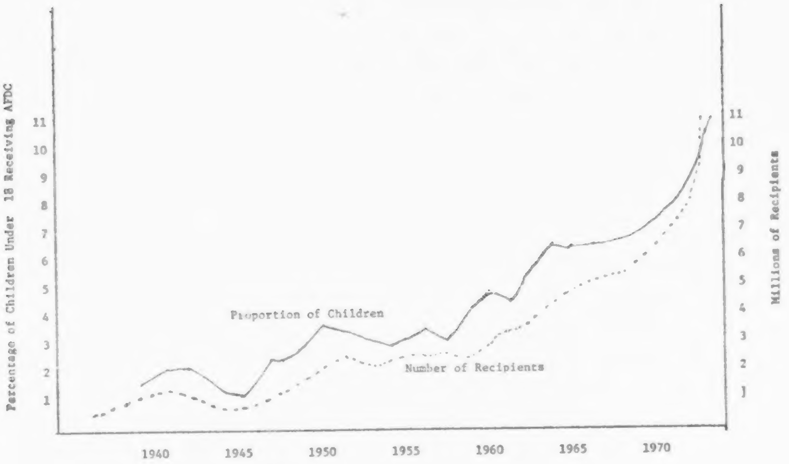
Annual Costs



Total = $10.3 Billion

Source: U.S. Department of Health, Education and Welfare

Chart 2, AFDC HAS GROWN AT AN ACCELERATING RATE



Source: U.S. Department of Health, Education and Welfare

avoid a circular argument one must ask why people are unemployed rather than why don't unemployed people go to work. The first question raises the issue of their employability while the second question raises the issue of their attitudes toward work. Recent findings indicate that one is taking coals to Newcastle when he carries the work ethic to the poor. They already believe in it. But for the most part they are impeded in their efforts to find and maintain employment by racial discrimination, inordinate health problems, child maintenance problems, a lack of marketable skills and the shortage of jobs.

There is little question that Blacks, Chicanos, Indians and other minority groups encounter discrimination in seeking employment which frequently compels them to rely on AFDC and at the same time diminishes their capacity for earning enough to become independent of AFDC. In fact, thirty per cent of the Blacks who were interviewed by Louis-Harris pollsters responded that discrimination had its most telling effect on their lives in the area of employment. The poll further revealed that Blacks, at virtually every level of employment, tended to believe that they are underemployed.[1] The poll also indicated a strong belief in the work ethic among the black labor force whether the respondents were employed or underemployed.

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[1] Overtrained or possessing skills and abilities in access of the work that they perform.

Adding to the problem confronting all poor people in their efforts to maintain steady employment is the plethora of health needs that are frequently attended to inadequately, if at all. The Bureau of Labor Statistics reports that poor health is the second leading cause of subemployment.[2] The poor are affected by heart conditions four and a half times more often than persons in the highest income groups. They are six times as likely to be the chronic victims of high blood pressure and more than six times as likely to fall victim to mental and nervous conditions than are members of the highest income group. They are affected by arthritis and rheumatism seven times more often than are persons in the highest income group and suffer visual impairment more than eight times as often. On the whole, chronic illness limits the work activity of the poor more than three times as much as it limits the activity of persons in the highest income group.

Finally there is the special problem of the AFDC mother. She tends to fall into the category of mothers who have children under six. Five out of every eight fit this description and another two of the remaining three have a child under thirteen. For these mothers to work, full-time year-round day care would have to be available in at least 60 per cent of the cases. In 25 per cent of the cases afternoon day care would have to be provided during the summer. Now the present capacity of licensed day care facilities stands below 800,000. Considering this variable, alone, and ignoring the problems of location of such facilities, dependency on volunteer assistance, etc., it appears highly unlikely that such facilities will expand to a point in the near future where they can accomodate an additional five million youngsters, the approximate number of youngsters covered by AFDC. The risks inherent in such expansion have already become apparent. Recent experience suggests that day care entrepreneurs, in spite of the size of the potential market, have difficulty in competing with the long established ad hoc arrangements which are customary among parents requiring child care. A furtheir restraint on the expansion of facilities is the temporary employment patterns of so many clients which make day-care programming and staffing very difficult to maintain. The sporadic work records of most AFDC mothers would tend to compound such problems. Welfare mothers tend to find employment in low-paying, transitory jobs. Only two per cent of those who have ever worked indicate that they were employed in professional, technical or managerial positions. Forty-eight per cent worked in household or service jobs. Fourteen per cent worked in clerical or sales jobs and twelve per cent worked as craftsmen. Clearly most of them worked in jobs which do not compensate them sufficiently

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[2] Not regularly employed.

	Ever-employed AFDC mothers 1967	Female family heads with work experienced in 1970	
		Distribution by occupation	Proportion in poverty
Total	100%	100%	100%
Professional, technical, managerial, official	2	17	9
Clerical and sales	14	33	12
Craftsmen and operatives	12	12	46
Private household workers	20	8	56
Other service workers	28	22	34

SOURCE: U.S. Department of Health, Education, and Welfare and U.S. Bureau of the Census.

to help them become economically independent of AFDC, or to meet the sizable costs of most licensed day care facilities.

These recipients bring an average educational attainment of 10 years into the labor force. This is two years lower than the non AFDC female population. Subsequently such mothers, like all of the poor, can rarely work their way out of poverty within the context of the traditional meaning of that term. Unless, of course, "work" is redefined.

One might ask, if the mother of eight children is in fact working when she is washing, ironing, cooking and providing for their full support while receiving public assistance? John Smith would say "yes" to this question, but among the twentieth century proponents of the Protestant work ethic the response would be varied. For some she would be working only if the children were not her own and if her remuneration came from private rather than public sources. To be "working" she would have to take a bus across town and sit with the child of another mother and "earn" whatever compensation she receives. In this way the equation balances out easily; effort is expended by the worker; services are received by the client and compensation is granted by the client to

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SOURCE: U.S. Department of Health, Education, and Welfare and U.S. Bureau of the Census.

Educational attainment (in years)	AFDC mothers		All women, 16 to 64, in the labor force, 1970
	1961	1971	
Median	8.7	10.4	12.4
Less than 8	38%	19%	6%
8	18	12	8
9 to 11	29	41	17
12	13	24	46
More than 12	2	4	24

SOURCE: Departments of Health, Education, and Welfare, and Labor.

the worker. In the first instance, the equation appears, on sight, to be out of balance for the worker and client appear to be identical. Unless, of course, society is also the client of mothers who act in the role of both parents. This is frequently the task of the AFDC recipient. Should society as a benefactor compensate this mother adequately for her services or work?

In addition to expanding the definition of "work," it would help to provide welfare recipients with economic incentives without denying them all or most of their public assistance. To date work incentive programs have tended to penalize the poor, sometimes taxing recipents who earn $4,000 a year at a rate of 60 per cent or more. Such a steep index is usually reserved for incomes in excess of $100,000. There are sound economic and political reasons underlying such taxation but the net effect is that it takes away the very work incentive which the program is attempting to promote.

Among the best efforts, none greatly successful to date, in opening up employment to the poor are Work Experience and Training Programs (WET), the Work Incentive Program (WIN), and Jobs Now. Of these the WIN program has produced good jobs for some of the indigent permitting them to enjoy significantly higher wages. Its chief drawback is that it has not produced jobs in any great number. In contrast the Jobs Now program has approached the employment deficit among the poor on the assumption that the poor are in fact qualified to perform certain jobs with training at the job site. Implicit in its approach is the assumption that many standards, unrelated to performance capacity, exclude the poor from participation in the labor market. To counter this the program attempts to enlist the employer in a joint effort to reduce unemployment.

Joint high support agreements are worked out between the program's staff and participating employers. Some provisions of these agreements require that employers waive traditional requirements such as the high school diploma for applicants. Another requires employers to waive tests and interview procedures for Jobs Now referrals. Under this plan employers and the agency's personnel involve themselves jointly in the evaluation of job holders. There are joint supportive services for clients including on-site instruction and counseling. This Program represents an effort to develop a corps of successful employers which other firms, businesses and industries may wish to emulate.

It is too much to expect that they constitute a reform of welfare to the extent that the presence of poverty will disappear. But their existence indicates that a reality orientation is developing in the efforts to cope with poverty. The simplistic notion that adherence to the work ethic alone will solve the poverty dilemma was a failure in seventeenth century Jamestown, Virginia and it will not likely solve the problems of twentieth century rural and metropolitan areas. Nor are there any panaceas. But at the same time there can be more than simply platitudes and placebos. Only in tandem with programs to create jobs, provide training, and expand the pecuniary benefits available to persons on public assistance, does promoting a belief in the work ethic increase the likelihood that society will cope with its poverty presence more successfully in the future than it has in the past.

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XIV. IRRA ANNUAL REPORTS FOR 1972

Minutes of IRRA Annual Meetings

EXECUTIVE BOARD SPRING MEETING

May 4, 1972 in Salt Lake City

The Board met in the Hotel Utah at 6:30 p.m. Thursday, May 4, 1972. In attendance were President Benjamin Aaron, President-Elect Douglas Soutar, Past President George Hildebrand, Secretary-Treasurer David Johnson, Editor Gerald Somers, Malcolm Denise, Wayne Horvitz, Philomena Mullady, and Garth Mangum.

Secretary-Treasurer David Johnson presented a report on membership and finances. He indicated that there was little change as compared with the previous year.

The Secretary-Treasurer presented the slate of candidates for the 1972 Executive Board election, and he also indicated the members of the nominating committee charged with the selection of nominees for the IRRA's election of officers to be held in the fall of 1973.

Mr. Johnson also reported on the status of the 1972 *Membership Handbook* (Directory), indicating that work was proceeding on the typing of the questionnaire data in the Madison office. He also noted that difficulties were being encountered with the Addressograph system, and that consideration was being given to alternative procedures for maintaining and processing the membership address list. President-Elect Soutar suggested a procedure for encouraging attendance at the spring and winter annual meetings through Executive Board contacts with their counterparts within each discipline. This will require a membership list breakdown which has not previously been available.

The application for affiliation of the South Texas Chapter in Austin and the request for reaffiliation of the Atlanta, Georgia Chapter were approved by the Board.

Editor Gerald Somers indicated that the *Proceedings* of the December meeting were in the final stages of preparation and would be distributed to members in May. He noted that the distinguished presidents of the Association had been reminded of the due date for their chapters to be included in the twenty-fifth anniversary volume to be published in 1973. The Board approved the proposal that brief memorial statements be included in the volume to honor deceased past presidents.

After discussion of the recommendations of the *ad hoc* committee to consider the 1974 volume, the Board decided that the volume should be in the field of personnel and organizational behavior with George Strauss, University of California, Berkeley, as chairman of the editorial board. The Board also discussed the interest of the D. C. Heath Publishing Company in our proceedings and research volumes, and requested Editor Somers to explore this possibility.

There was a discussion of plans for the combined spring meeting of the IRRA and the International Industrial Relations Association (IIRA), to be held in Jamaica May 3–5, 1973. The meetings would be held in Kingston and Montego Bay, and arrangements would be made for the transportation of participants from one locale to the other as part of the registration fee.

The Board discussed the responses to the query, "Whither IRRA?" Since Phyllis Wallace, who had been appointed chairman of a committee to explore changes in the membership policies of the Association, was not present, it was decided to await her report at the December meeting before taking action on this matter.

President Benjamin Aaron reported on his plans for the program for the annual winter meeting to be held in Toronto in December. A number of suggestions were made by Board members, and Mr. Aaron indicated that he would be meeting with members of his program committee on the following day to receive additional suggestions.

The Board authorized President Aaron to notify the Society of Professionals in Dispute Resolution (SPIDR) of the IRRA's support and cooperation in activities of a common interest to the two associations.

President-Elect Douglas Soutar suggested that the IRRA make an effort to encourage the formation of local chapters in sections of the country where local chapter representation was sparse. Members discussed alternative procedures for achieving this objective.

The meeting was adjourned at 10:00 p.m.

IRRA EXECUTIVE BOARD WINTER MEETINGS

December 27, 1972, Toronto

The meeting was held at 6:30 p.m. Wednesday, December 27, 1972, President Benjamin Aaron presiding. The meeting was attended by incoming President Douglas Soutar, 1973 President-Elect Nathaniel Goldfinger, Secretary-Treasurer David Johnson, Editor Gerald Somers, and Board Members Arvid Anderson, Wilbur Cohen, John Crispo, Malcolm Denise, Joseph P. Goldberg, Leonard Hausman, Philomena Mullady, Sylvia Ostry, Rudolph Oswald, Herbert Parnes, Bert Seidman, George Strauss, Martin Wagner, Donald Wasserman. Donald Irwin, Charles Killingsworth, Harold Sheppard, Graeme McKechnie, Robert Davison, Eileen Ahern represented their committees at the Board Meeting.

Secretary-Treasurer David Johnson reported the results of the annual election of our IRRA officers as follows: Douglas Soutar, President, Nathaniel Goldfinger, President-Elect, and Arvid Anderson, Joseph P. Goldberg, Juanita Kreps, Herbert Parnes, and George Strauss, Executive Board.

In his report on membership, Mr. Johnson noted that a slight upward trend continued, but the rate of increase in 1972 was not as large as in previous years. It was hoped that a renewed promotional campaign will further membership growth in 1973. He noted that the publication of the *Membership Directory-Handbook* had been delayed, but it was expected that distribution could be made to members shortly. The mailing list was being transferred to a computer-based system which would be operative early in the new year.

The Secretary-Treasurer indicated that the Association would be forced to dig into its capital in order to finance the Directory. After studying the financial condition of the IRRA and noting the absence of a dues increase in the inflationary period since 1968, the Executive Board authorized a mail referendum on the Board's recommendation for an increase in annual dues of regular members to $15 and an increase to $200 for life membership. Student dues and foreign dues were to be continued at $5 per year.

Mr. Johnson presented the application of the Northeast Ohio (Cleveland) Chapter for affiliation with IRRA. Having noted that the bylaws corresponded with those of the national IRRA constitution, the Board approved the affiliation of the new chapter, contingent upon submission of a program list.

Editor Gerald Somers reported that a number of chapters for the

1973 anniversary volume had already been received and that the remainder were expected within the next few weeks. He asked George Strauss to report on the progress of the 1974 volume for which Strauss had been appointed chairman of the editorial board. Professor Strauss indicated that a number of authors had been selected to write chapters on various aspects of the relationship between the behavioral sciences, organizational behavior and industrial relations. Discussions were held on two possible topics for the 1975 volume: an evaluation of experience under labor and social legislation passed in 1935, and an appraisal of the changing work ethic and job enrichment. Board members were asked to send comments on these and other possible topics to the Editor; a final decision would be made at the Spring Meeting.

Charles Killingsworth reported on the findings and recommendations of the *ad hoc* committee appointed to investigate recent events concerning the U.S. Bureau of Labor Statistics. There was general consensus in favor of the committee's recommendations. Doug Soutar and Nat Goldfinger were appointed to join with Mr. Killingsworth in drafting specific terms of a resolution which were to be reported to the Executive Board at a meeting to be held the following day.* The Board extended its thanks to Mr. Killingsworth, and the other committee members, Harold L. Sheppard and Melvin W. Reder, for their thorough and painstaking work and excellent report.

President Benjamin Aaron reported on a meeting IRRA Board representatives (Aaron, Oswald, Somers and Soutar) had with Assistant Secretary of Labor Michael Moskow. The meeting had been held at the Assistant Secretary's request in order to obtain ideas on the future directions of research for the U.S. Department of Labor.

Professor Robert Davison, University of the West Indies, and Secretary-Treasurer Johnson reported on the local arrangements for the 1973 spring meeting in Jamaica. Plans for the program were discussed by President-Elect Doug Soutar and Jerry Somers. A list of the session topics was to be circulated to Board members, and the specific suggestions for papers and authors were to be submitted immediately to Mr. Soutar.

Mr. Soutar also discussed the program for the 1973 winter meeting in New York and asked Board members to send suggestions to him as soon as possible. Eileen Ahern, Local Arrangements Chairman, spoke briefly.

Donald Irwin reported on the decisions of the Nominations Committee. The Committee's nomination for President-Elect was approved by the Board.

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* John Crispo, Joseph Goldberg, Philomena Mullady and Sylvia Ostry did not participate in the discussion or voting on this resolution.

The Editor's term was extended for two years.

President Aaron announced that David Johnson wished to resign from his position as Secretary-Treasurer effective spring 1973. Richard U. Miller, University of Wisconsin, was suggested as a replacement, and the Board approved his appointment to become effective at the May 1973 meeting. There was a vote of thanks for the dedicated work of David Johnson as Secretary-Treasurer since 1961. In recognition of his service to IRRA the Board voted to appoint him to a life membership, to dedicate the May 1973 *Proceedings* to him, and to present an appropriate scroll to him at the meeting in May 1973.

The meeting was adjourned at 10:30 p.m.

December 28, 1972

The Board resumed its meeting at 7:15 a.m. December 28 with President Douglas Soutar presiding. Board members present were Aaron, Goldfinger, Johnson, Somers, Cohen, Goldberg, Mullady, Oswald, Parnes, Seidman, Strauss, Wagner, Wasserman. Also present was Charles Killingsworth.

The Executive Board approved the resolution recommended by the *ad hoc* committee appointed to investigate recent events concerning the U.S. Bureau of Labor Statistics.* It was to be sent to President Nixon and to officers of the AEA and ASA. A news release relating to the resolution was also to be sent to a number of national newspapers.

The resolution is as follows:

> The Executive Board of the Industrial Relations Research Association, having received and considered a report from its committee appointed to investigate recent events concerning the U.S. Bureau of Labor Statistics, resolves as follows:
>
> 1. that public confidence in the professional integrity and credibility of the Bureau of Labor Statistics is essential, because the Bureau publishes data and materials which are used regularly in labor-management relations, business contracts and economic forecasts;
> 2. that the credibility of the Bureau of Labor Statistics has been impaired by events of the last two years, including the termination of press conferences by Bureau of Labor Statistics personnel and the subsequent reassignment of key personnel in the Bureau;

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* Joseph Goldberg and Philomena Mullady did not participate in the discussion or voting on this resolution.

3. that the Board views with particular concern the acceptance of the requested resignation of the Commissioner of Labor Statistics three months prior to the expiration of his statutory term of office, because this termination under these circumstances represents a sharp break with the long-established tradition that this position has not been regarded as a political appointment;
4. that it is most important, if further impairment of the credibility of the Bureau of Labor Statistics is to be avoided, that the new Commissioner be a person with the highest professional qualifications and objectivity;
5. that it is desirable that the decision to discontinue press briefings by the Bureau of Labor Statistics technical personnel should be carefully reconsidered;
6. that nothing in this resolution should be construed to indicate that this Association questions the integrity of the preparation of BLS figures.

Signed: Benjamin Aaron, President 1972
Douglas Soutar, President 1973
David B. Johnson, Secretary-Treasurer

The Board selected Atlanta, Georgia as the site of the May 1974 spring meeting.

In view of the need to schedule a second meeting of the Board during the Toronto meetings, it was decided to plan a more extensive period of time for Board meetings in the future.

IRRA GENERAL MEMBERSHIP MEETING

December 28, 1972, Toronto

The meeting was opened at 4:30 p.m. by Benjamin Aaron who formally transferred the Presidency to President-Elect Douglas Soutar during the course of the meeting.

Secretary-Treasurer David Johnson reported a slight growth in membership. He also announced that the Executive Board was recommending a dues increase to $15 per calendar year for the regular non-student members. Mr. Aaron discussed the Board's reasoning for recommending such an increase to be decided by the membership by a mail referendum in 1973.

Editor Gerald Somers discussed the status of the published *Proceedings* and of the special research volume. It was noted that the IRRA *Directory-Handbook* would be published as soon as possible in the coming year. Members were asked to send along suggestions for future IRRA volumes.

President Benjamin Aaron presented the following resolution honoring George W. Taylor who died December 15:

> RESOLVED, that the following entry be made in the minutes of the general membership meeting of the Industrial Relations Research Association held this 28th day of December, 1972, in Toronto, Canada:
>
> The membership of the Industrial Relations Research Association expresses its sorrow over the death of Dr. George W. Taylor, member of the IRRA's organizing committee in 1947 and its third President. Dr. Taylor was one of the great figures in the field of industrial relations. His creative intelligence, imagination, and practical common sense inspired two generations of students and associates. He was a devoted and unselfish public servant whose advice guided five Presidents of the United States and shaped the development of some of the most important institutions in the field of labor-management relations. His death impoverishes the entire Nation. We mourn his loss and extend to his widow, Edith Taylor, our deepest sympathy.
>
> FURTHER RESOLVED, that the President hereby is instructed to transmit a copy of the foregoing to Mrs. Taylor.

The resolution was passed unanimously for submission to Mrs. Taylor and for inclusion in the IRRA Newsletter and in the May 1973

Proceedings.

It was suggested from the floor that more union representatives should be included in future programs. Mr. Aaron indicated that this had already been called to the attention of the incoming President and of the incoming President-Elect. Douglas Soutar assured the members that there would be increased participation of union and management representatives in the 1973 meetings. Some members stressed the need to continue the research emphasis of the annual meetings.

The meeting adjourned at 5:30 p.m.

IRRA Local Chapter Representatives Meeting

December 29, 1972, Toronto

The luncheon for IRRA local chapter presidents was held at 12:30 p.m. on Friday, December 29, 1972, in the King Edward Hotel, Toronto.

IRRA Secretary-Treasurer, David B. Johnson, presided. The following were in attendance: Douglas Soutar, IRRA President; Eileen Ahern, New York City; R. B. Davison, Jamaica; Robert C. Garnier, Wisconsin; Elizabeth Gulesserian, National Membership; Peter J. Hebein, Chicago; Harish C. Jain, Hamilton and District; Michael J. Jedel, Atlanta; Archie Kleingartner, Southern California; John W. Leonard, Gateway; G. H. McKechnie, York University (Local Arrangements Chairman); Robert B. McKersie, Cornell; G. Dale Meyer, Rocky Mountain; Rudolph A. Oswald, Washington, D.C.; Roger D. Roderick, Central Ohio; L. S. Rayl, Southwestern Michigan; Bernard Sarnoff, Philadelphia; William E. Schlender, Northeast Ohio; Edward T. Sullivan, Boston; Gerald Tomkin, Western New York; J. F. Walker, South Texas; M. D. Whitty, Detroit; and Arnold M. Zach, Boston. Secretary Johnson asked all individuals present to introduce themselves with brief comments.

Following this, he commented on the good work of the local arrangements committee, of which Graeme McKechnie was in charge. There was general consensus that the meeting room arrangements, sign arrangements, as well as other local arrangements were outstanding.

President Soutar asked for particular comments from chapter representatives. Dale Meyer, representing the Rocky Mountain Chapter, raised the question of getting more local chapter members into the national membership. Following some discussion on this, it was agreed that promotional material would be sent out from the national headquarters to local chapters if mailing lists are sent in. Mr. Johnson indicated that this promotional effort should increase national membership and the ties between the national and local chapters. Bernard

Sarnoff said that he felt we are operating with two organizations, one a national and one a chapter. President Soutar commented that basically we have one organization and that the makeup and character of the local organization in the last analysis depends upon the concern and hustle of the local group.

There was a discussion of local chapter dues structure, which ranges from nothing all the way up to $15. In the first instance, chapter membership was underwritten by requiring luncheon reservations to be paid for in advance and, when individuals did not show, which provided money to run the chapter. The $10 dues mentioned by Mr. Rayl was justified in their case by the extra services the chapter provides. He acknowledged that a serious problem would develop if dues were raised too high. Their chapter provides a distinctive chapter pin, membership roster bulletins, and other promotional materials that show members the value of the $10 chapter dues. There was a consensus that the chapter dues arrangements depended upon the desires of the local group and that no uniform policy on this should be pursued.

President Soutar distributed copies of the program outline for the May 3–5, 1973, IRRA Jamaica meeting. He indicated that the overall theme would be "Comparative International Industrial Relations" and would include the following topics:

1. "The Multi-National Corporation and Industrial Relations."
2. "Labour Relations in the Public Sector."
3. "Industrial Relations and Inflation."
4. "Theories of the Future of Industrial Relations."

Later in the meeting, it was indicated that in addition to the basic sessions, provisions would be made to have papers presented in a "Contributed Papers" session.

R. B. Davison, who is in charge of the Jamaica Conference arrangements, was asked to comment on the Jamaica meeting. He indicated that the Jamaica meeting will be the first time that the IRRA has held a meeting off continent and, actually, the conference is labeled a Pan-American Regional Conference. He indicated that very attractive group airflight rates are being secured and that good local host arrangements are now being made.

President Soutar indicated that, if the local chapters had problems associated with getting management participation or help in some of their activities at the local level, he would be glad to do whatever he could to assist in overcoming the lack of cooperation, particularly from the management side. Specific problems in this connection should be brought to the attention of President Soutar at his business address: American Smelting and Refining Co., 120 Broadway, NYC 10005. The meeting was adjourned at approximately 2 p.m.

IRRA AUDIT REPORT FOR FISCAL 1972

Ladies and Gentlemen:

We have examined the statement of cash receipts and disbursements of the Industrial Relations Research Association for the year ended November 30, 1972.

As set forth below, cash disbursements of $41,714.98 exceeded cash receipts of $38,045.19 by $3,669.79.

Cash receipts were lower than last year by $5,476.84 because of a decrease in new memberships and a lag in membership billings. Subscription receipts were higher than last year by $2,804.10, mainly due to two years' billings being sent out in fiscal 1972.

Cash disbursements in total are approximately the same as last year but are higher for salaries by $6,016.02. This is mainly because of increased costs to produce the membership directory which is turned out every six years.

In our opinion, the accompanying statement of cash receipts and disbursements presents fairly the recorded cash transactions of the Industrial Relations Research Association for the fiscal year ended November 30, 1972, on a basis consistent with that of the preceding year.

December 19, 1972

Houghton, Taplick & Co., Certified Public Accountants

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION, Madison, Wisconsin
COMPARATIVE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Fiscal Years Ended November 30, 1972 and November 30, 1971

	Year Ended Nov. 30,		
	1972	1971	Increase (Decrease)
CASH RECEIPTS			
Membership Dues	$22,394.16	$27,871.00	$(5,476.84)
Subscriptions	6,070.00	3,265.90	2,804.10
Sales	5,231.27	5,154.48	76.79
Royalties	693.75	928.65	(234.90)
Mailing List	744.50	901.51	(157.01)
Travel, Conference, and Meetings	2,386.24	3,017.71	(631.47)
Interest Income	490.77	735.54	(244.77)
Miscellaneous	34.50	6.20	28.30
Total Cash Receipts	$38,045.19	$41,880.99	$(3,835.80)
CASH DISBURSEMENTS			
Salaries and Social Security	$14,622.24	$ 8,606.22	$ 6,016.02
Retirement Plan	1,814.64	1,504.02	310.62
Postage	1,403.17	2,163.21	(760.04)
Services and Supplies	2,522.10	2,464.61	57.49
Publications and Printing	17,810.04	23,186.23	(5,376.19)
I.R.R.A. Conference and Meeting Expense	2,759.82	3,119.85	(360.03)
Miscellaneous	352.46	305.35	47.11
Telephone and Telegraph	430.51	346.02	84.49
Total Cash Disbursements	$41,714.98	$41,695.51	$ 19.47
Excess of Receipts over Disbursements (Disbursements over receipts)	$ 3,669.79	$ 185.48	$(3,855.27)
Add: Beginning Bank Balances	4,266.03	4,325.33	(59.30)
	$ 596.24	$ 4,510.81	$(3,914.57)
Add (Deduct): Net Transfer of Funds	500.00	(244.78)	744.78
Bank Balance, End of Year	$ 1,096.24	$ 4,266.03	$(3,169.79)
Corporate Bonds (at cost)	10,983.00	10,983.00	
Golden Passbook Savings—First Wisconsin National Bank	514.33	761.49	(247.16)
First Wisconsin National Bank—Savings	35.55	33.98	1.57
Available Cash and Investments	$12,629.12	$16,044.50	$(3,415.38)

THE INDUSTRIAL RELATIONS RESEARCH ASSOCIATION

The Industrial Relations Research Association was founded in 1947 by a group who felt that the growing field of industrial relations required an association in which professionally-minded people from different organizations could meet periodically. It was intended to enable all who were professionally interested in industrial relations to become better acquainted and to keep up to date with the practices and ideas at work in the field. To our knowledge there is no other organization which affords the quadripartite exchange of ideas we have experienced over the years—a unique and invaluable forum. The word "Research" in the name reflects the conviction of the founders that the encouragement, reporting and critical discussion of research is essential if our professional field is to advance.

In our membership of 3,700 you will find representatives of management, unions, government; practitioners in consulting, arbitration and law; and scholars and teachers representing many disciplines in colleges and universities in the United States and Canada, as well as abroad. Among the disciplines represented in this Association are administrative sciences, anthropology, economics, history, law, political science, psychology and sociology. Membership is open to all who are professionally interested and active in the broad field of industrial relations. Libraries and institutions who are interested in the publications of the Association are also invited to become members, and therefore subscribers to the publications.

Membership dues, which cover publications for the calendar year, January 1 through December 31, entitle members to the seven mailings in the IRRA Series: Proceedings of the Annual Winter Meeting, Proceedings of the Annual Spring Meeting, a special research volume (Membership Directory Handbook every six years), and quarterly issues of the Newsletter.

Inquiries and other communications regarding membership, meetings, publications and the general affairs of the Association, as well as orders for publications, copyright requests, and notice of address changes, should be addressed to the IRRA Series Publication Office:

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION (608/262-2762)
7114 Social Science Bldg., University of Wisconsin, Madison, WI 53706

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION PROGRAM

IRRA Meetings

TWENTY-SIXTH ANNUAL WINTER MEETING, December 28–29, 1973, Barbizon Plaza Hotel, New York City, held in conjunction with the Allied Social Science Associations' meetings. The program, arranged by President Douglas Soutar, will be announced in the IRRA Newsletter in September.

ANNUAL SPRING MEETING, May 3–4, 1974 in Atlanta. President-Elect Nathaniel Goldfinger will announce his program in the March Newsletter in 1974.

FUTURE IRRA ANNUAL MEETINGS (with ASSA):

Dec. 28–29, 1974—San Francisco
Oct. 3–4, 1975—Dallas
Sept. 17–18, 1976—Atlantic City
Dec. 28–29, 1977—New York
Aug. 29–30, 1978—Chicago

Industrial Relations Research Association Publications

Annual membership dues for the calendar year January 1 through December 31, cover the cost of the seven mailings of publications in the IRRA Series. These include the following for 1973:

PROCEEDINGS OF THE TWENTY-FIFTH ANNUAL WINTER MEETING, December 28–29, 1972, Toronto (May 1973).

PROCEEDINGS OF THE 1973 ANNUAL SPRING MEETING, May 3–6, Jamaica, Pan-American Regional meeting held jointly with the International Industrial Relations Association (Publication August 1973).

THE NEXT TWENTY-FIVE YEARS OF INDUSTRIAL RELATIONS, Twenty-Fifth Anniversary Volume. Chapters on the future of industrial relations, contributed by the distinguished past presidents of the Association (Publication Fall 1973).

Prices and order forms for single copies of past IRRA publications are available on request.

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Arthur Ross and David B. Johnson, program chairmen. Employee-management cooperation in the Federal service; collective bargaining by public employees, Canadian and U.S. experience; is private sector industrial relations the objective in the Federal service?; the American city and its public employee unions; representing the teachers' interests.

PROCEEDINGS OF NINETEENTH ANNUAL WINTER MEETING, December 1966, San Francisco, Gerald Somers, ed., 399 pp. $4.50

Arthur M. Ross, program chairman. Second-generation wage-price restraints; critical evaluation of three manpower reports; current confrontations in labor law; European experience with incomes policy; technology, information & management organization; manpower imbalances as full employment is approached; evaluating the war on poverty; new questions for collective bargaining; dissertation research.

PROCEEDINGS OF 1967 ANNUAL SPRING MEETING, Industrial Conflict and Race Conflict, Detroit, Gerald Somers, ed., 91 pp. $2.00

Neil Chamberlain, program chairman. Panel discussion: is there a general theory of conflict?; nature of the problems of the two periods; means & organization in the two periods; public reaction to the struggle; significance of the struggle for society & the economy.

INTERNATIONAL LABOR, 1967, Solomon Barkin, William Dymond, Everett Kassalow, Frederic Meyers, Charles Myers, eds., 278 pp. (Publ. Harper & Row, available from IRRA) $6.95

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Windmuller, international trade union organizations: structure, functions, limitations; John C. Shearer, industrial relations of American corporations abroad; Arnold R. Weber, manpower adjustments to technological change: an international analysis; Armand Kayser, integration of social security systems of the common labor market; Graham Reid & Laurence Hunter, common labor market integration & labor mobility; Richard A. Lester, national manpower administration & policies; Derek Robinson, national wage & incomes policies & trade unions: issues & experiences; Solomon Barkin, issues & research needs relative to manpower.

PROCEEDINGS OF TWENTIETH ANNUAL WINTER MEETING, The Development and Use of Manpower, December 1967, Washington, D.C., Gerald G. Somers, ed., 404 pp. $5.00

Neil W. Chamberlain, program chairman. Some second thoughts on the concept of human capital; manpower & its education & training; internal & external labor markets; discrimination & other obstacles to effective manpower utilization; the peripheral labor force; government's manpower role; manpower planning—private & public; manpower & its motivation; measures of manpower; international experience: U.S. contributions & contributions to the U.S.; invited papers.

PROCEEDINGS OF 1968 ANNUAL SPRING MEETING, Columbus, Gerald Somers, ed., 80 pp. NC

George P. Shultz, program chairman. Academic administration—an industrial relations view; management experiences in dealing with the disadvantaged; paths from poverty to employment; coordinated bargaining.

TOWARDS FREEDOM FROM WANT, 1968, Sar A. Levitan, Wilbur J. Cohen, Robert J. Lampman, eds., 243 pp. $4.50

Elizabeth Wickenden, sharing prosperity: income policy options in an affluent society; George F. Rohrlich, social assistance, social subsidies & social services to underwrite the essentials; Wilbur J. Cohen, economic security for the aged, sick & disabled: some issues & implications; Milton J. Nadworny, unemployment insurance & income maintenance; Joseph M. Becker, S.J., private supplementation of public unemployment benefits; Garth L. Mangum, government as employer of last resort; Christopher Green, income security through a tax-transfer system; Jacob J. Kaufman & Terry G. Foran, the minimum wage & poverty; S. M. Miller & Frank Riessman, standards for an affluent society.

PROCEEDINGS OF TWENTY-FIRST ANNUAL WINTER MEETING, December 1968, Chicago, Gerald G. Somers, ed., 401 pp. $5.00

George P. Shultz, program chairman. Priorities in policy & research for industrial relations; issues in the government of higher education; impasse resolution, the community, and bargaining in the public sector; union-management cooperation revisited; new directions in labor statistics; preventive mediation and continuing dialogue; perspectives on the problems of union leadership; public policy and the strategy and tactics of collective bargaining; retaining & upgrading of disadvantaged workers; research on big city labor markets; federal regulation & the unions; the tradeoffs—work versus play & pay versus fringes; invited papers.

PROCEEDINGS OF 1969 ANNUAL SPRING MEETING, Des Moines, Gerald G. Somers, ed., 103 pp. NC

Frederick H. Harbison, program chairman. University governance: workable participation, administrative authority & the public interest; mediation of civil rights disputes; transfer of population from rural to urban areas; finding & motivating new industrial workers; resolving of unrest in the public sector.

PUBLIC-PRIVATE MANPOWER POLICIES, 1969, Arnold Weber, Frank Cassell, Woodrow Ginsburg, eds., 210 pp. $4.50

Eli Ginzberg, public policies & womanpower; Michael J. Piore, on-the-job training in the dual labor market: public & private responsibilities in on-the-job training of disadvantaged workers; Arthur W. Saltzman, manpower planning & programs; Arnold L. Nemore & Garth L. Mangum, private involvement in federal manpower programs; Glen G. Cain & Robinson G. Hollister, methods for evaluating manpower programs; Leonard J. Hausman, the welfare system as a rehabilitation & manpower system; Joseph C. Ullman, manpower policies & job market information.

1969 PROCEEDINGS OF 22nd ANNUAL WINTER MEETING, New York, Gerald G. Somers, ed., 356 pp. $5.00

Frederick H. Harbison, President and Program Chairman: Campus revolt from an IR perspective; impact of manpower programs on metropolitan areas; private initiative in training and development of the hard core; new approaches and goals in employer bargaining; experiential learning and organizational development; new goals and strategies of American labor unions; worker and unions participation in decision-making; labor relations in hospitals; collective bargaining in the nation's schools; manpower dimensions of economic growth; invited papers.

PROCEEDINGS OF THE 1970 ANNUAL SPRING MEETING, Albany, May 8–9; Gerald G. Somers, ed., 102 pp. NC

Douglass V. Brown, Program Chairman. The right to strike in the public sector; is industrial relations experience useful to the university administrator?; effects of the structure of collective bargaining in selected industries; federal programs and industrial relations; manpower policies: lessons for the U.S. from foreign experience.

PROCEEDINGS OF THE TWENTY-THIRD ANNUAL WINTER MEETING, Detroit, December 28–29, 1970; Gerald G. Somers, ed., 394 pp. $5.00

Douglass V. Brown, Program Chairman. Legalism and industrial relations in the United States; problems of migrant workers; Negro employment in the South; the labor market; youth unemployment and minimum wages; manpower problems in health services; personnel and organizational research: empirical studies by selected Michigan employers; legal remedies under NLRA; manpower planning; issues in income maintenance; union adaptation to changes in the labor force; invited papers.

A REVIEW OF INDUSTRIAL RELATIONS RESEARCH, Volume I, 1970; 260 pp. $5.00

Herbert S. Parnes, labor force and labor markets; E. Robert Livernash, wages and benefits; George Strauss, organizational behavior and personnel relations; Woodrow L. Ginsburg, union growth, government and structure.

A REVIEW OF INDUSTRIAL RELATIONS RESEARCH, Volume II, 1971, 230 pp. $5.00

Benjamin Aaron and Paul Seth Meyer, public policy and labor-management relations; Garth L. Mangum, manpower research and manpower policy; James L. Stern, collective bargaining trends and patterns; John Crispo, industrial relations in Western Europe and Canada.

PROCEEDINGS OF THE 1971 ANNUAL SPRING MEETING, Cincinnati, May 7–8; Gerald G. Somers, ed., 87 pp. NC

George H. Hildebrand, Program Chairman. Emergency stoppages in the private sector; for a more effective national manpower system; policy concerns in public employee bargaining; decade for a remedy for economic discrimination; fair employment practices.

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George H. Hildebrand, Program Chairman. Organized labor and foreign trade; industrial relations problems in the construction industry; problems in labor economics; black employment; organizational behavior and personnel management; issues in incomes policy; European labor in transition; union-minority relationship; public service employment; workmen's disability income system; lower-middle income worker; education and labor supply; contributed papers.

PROCEEDINGS OF THE 1972 ANNUAL SPRING MEETING, Salt Lake City, May 5–6; Gerald G. Somers, ed., 73 pp. NC

Benjamin Aaron, Program Chairman. Wage stabilization: then and now; manpower policy experiments in Utah; occupational safety and health act.

PROCEEDINGS OF THE TWENTY-FIFTH ANNUAL WINTER MEETING, Toronto, December 28–29, 1972 (With INDEX to IRRA Publications 1966–1972); Gerald G. Somers, ed., 480 pp. $6.00

Benjamin Aaron, Program Chairman. Emergency disputes: recent British and American experience; prices and incomes policy: comparative aspects; dispute settlement in the public sector; manpower policies in Canada and the United States in the 1970's; measuring the quality of life—social indicators; adapting jobs to human needs; productivity and collective bargaining; social security—issues and trends; dual labor markets; report of the national commission on state workmen's compensation laws; research on federal compliance efforts regarding employment discrimination; professionals in collective bargaining; the work ethic and welfare reform; contributed papers; index to IRRA publications, 1966–1972.

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